
ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/26/05

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Basic Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended June 30, 2005

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STATE OF LOUISIANA
Contents, June 30, 2005

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The Board of Commissioners

OF THE

Orleans Levee District



SUITE 202 - ADMINISTRATION BUILDING

6001 STARS AND STRIPES BLVD.

New Orleans, La.

70126-8006

TEL. 504-243-4000

**PROTECTING YOU
AND YOUR FAMILY**

October 3, 2005

The Honorable James P. Huey, President,
and Members of the Board of Commissioners
of the Orleans Levee District

Dear Commissioners:

The Orleans Levee District is pleased to submit its Annual Financial Report for the fiscal year ended June 30, 2005. The District's management is responsible for the accuracy and completeness of all data and disclosures in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Annual Financial Report is presented in three sections: introductory, financial, and other supplemental information. The introductory section is this transmittal letter. The financial section has been prepared in accordance with the Governmental Accounting Standards Board Statement No. 34. This section includes the following: Independent Auditor's Report by Postlethwaite & Netterville, Management's Discussion and Analysis (Required Supplementary Information), government-wide financial statements, fund financial statements and notes to the financial statements. The other supplemental information section includes: schedule of per diem paid board members for compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, and the Annual Fiscal Report submitted to the Office of the Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy as required under Title 39. A report on compliance and internal control is also included in this report.

PROFILE

The Orleans Levee District was established in 1890. The District has primary responsibility for the operation and maintenance of a flood protection system surrounding the City of New Orleans. The District is responsible for the maintenance of almost 129 miles of levees and floodwalls.

In 1928, the Louisiana Legislature authorized the board to operate and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The board owns and operates the New Orleans Lakefront Airport, a general aviation airport, the Orleans Marina and the South Shore Harbor Marina.

Board of Commissioners
Orleans Levee District

The Honorable James P. Huey, President,
and Members of the Board of Commissioners
of the Orleans Levee District
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The District began the construction, improvement and maintenance of numerous hurricane and flood protection projects as the result of the issuance of \$50 million levee improvement bonds in November 1984. The United States Army Corps of Engineers (USACE) and the Orleans Levee District participate in several joint flood protection projects relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan). Under the High Level Plan, the District has expended bond and ad valorem tax funds over (approximately) the last 20 years for USACE qualified projects. Three major projects on the High Level Plan are ongoing in Orleans Parish: London Avenue Canal pump station and bridge, Orleans Avenue Canal pump station, and the 17th Street Canal bridge. It is anticipated that the entire High Level Plan will be completed by 2011.

FINANCIAL INFORMATION

The Orleans Levee District has presented government-wide financial statements, which are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business, and fund financial statements, which are used to provide management with information on current performance of the respective funds, and to ensure and demonstrate compliance with finance-related legal requirements.

Internal Control Framework

Management of the Orleans Levee District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Orleans Levee District's financial statements in conformity with accounting principles generally accepted in the United States of America. Management has assigned responsibilities and designed processes in an attempt to prevent potential conflicts of interest or unilateral control of critical functions. The District has segregated duties in several key areas including:

- Human resources and payroll processing
- Daily cash management and bank account reconciliations
- Cash disbursement authorization and bank account reconciliations
- Purchasing and accounts payable
- Cash disbursement authorization and accounts payable

Because the cost of internal controls should not outweigh their benefits, the Orleans Levee District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Board of Commissioners
Orleans Levee District

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and Members of the Board of Commissioners
of the Orleans Levee District
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Budgetary Controls

The Orleans Levee District is required to submit its annual fiscal year budget to the Board of Commissioners for review and approval, and to the Joint Legislative Committee on the Budget for review. All levels of management are involved in the budgeting process. Available resources are determined based on projected revenues and are allocated by object level to the various departments within the District.

Department managers and senior management compare actual performance to the approved budget on a monthly basis. Variances are monitored and recommended adjustments are submitted to the Finance Committee for review and submittal to the full Board for approval.

Long-term Obligations

The District had the following outstanding long-term obligations at June 30, 2005:

Long-term debt	
Public improvement bonds	\$ 26,455,000
Levee improvement bonds	<u>43,435,000</u>
Total long-term debt	<u>69,890,000</u>
Claims and judgments	<u>22,733,183</u>
Total long-term obligations	<u>\$ 92,623,183</u>

The debt of the Orleans Levee District is payable from the avails of the two limited ad valorem taxes: the tax authorized by Article 6, Section 39A of the Louisiana Constitution and the special levee improvement tax authorized by the election of November 1983.

As noted above, liabilities associated with claims and judgments totaled \$22,733,183, and relate to Bohemia Spillway and contractual disputes. The judgments represent a liability of the Orleans Levee District, and are long-term in nature, since under Louisiana law, the judgments cannot be used to force the District to liquidate assets to satisfy the judgments.

Cash Management

Cash receipts are deposited daily into the District's bank accounts. Minimal cash balances are maintained in bank accounts for daily operations. Excess operating funds not needed for liquidity purposes are invested in U.S. government securities and agency securities in accordance with guidelines contained in a board approved Investment Policy and all associated state statutes.

Board of Commissioners
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Risk Management

The District has purchased various commercial insurance policies for protection from significant economic loss. These policies include coverage for standard automobile liability, comprehensive general liability, excess comprehensive general liability, workers' compensation, property, boiler and machinery, inland, marine and electronic data processing equipment, marina liability, airport fixed base operations (including hangarkeepers), police professional liability, employee dishonesty and flood. Additionally, tenants are required to obtain insurance for leased premises with the District named as additional insured, and contracts for major purchases and/or services contain requirements for vendor insurance and performance bond coverages.

HURRICANE KATRINA

As you know, the Orleans Levee District was adversely affected by Hurricane Katrina which occurred on August 29, 2005. The District is currently assessing the impact of the hurricane, but damage to the City of New Orleans and to the District's assets, as discussed below, will have a negative effect on revenue, including ad valorem taxes.

There was relatively minor damage to the District's Franklin Avenue Facility, and the field forces are currently working from this location. Upon repair, those administrative offices located at the Franklin Avenue Facility can resume occupancy. Additionally, there was minimal damage to Orleans Marina, and it is anticipated that the marina will be fully operational by the end of this year. South Shore Harbor and Lakefront Airport sustained substantial damage from Hurricane Katrina. The impact of this damage cannot be fully known at this time.

The District believes that the disruption in operations will not affect its ability to make timely debt payments, and believes it will continue as an ongoing business.

INDEPENDENT AUDIT

The Orleans Levee District's financial statements have been audited by Postlethwaite & Netterville. The financial statements are the responsibility of the Orleans Levee District. The responsibility of Postlethwaite & Netterville is to express an opinion on the District's financial statements based on their audit. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Orleans Levee District for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Orleans Levee District's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with accounting principles generally accepted in the United States of

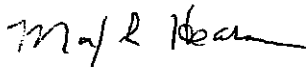
Board of Commissioners
Orleans Levee District

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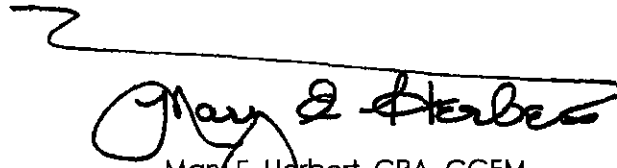
America. The auditor's report is presented as the first component of the financial section of this report.

The preparation of this report would not have been possible without the dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. The Orleans Levee District and its Board of Commissioners are committed to providing thorough and relevant financial information to the users of our financial statements, and the preparation of this Annual Financial Report reflects this commitment.

Respectfully submitted,


Max L. Hearn
Executive Director

MLH/MEH/jm


Mary E. Herbert, CPA, CGFM
Comptroller



Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

Independent Auditors' Report

Board of Commissioners
Orleans Levee District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, and major funds of the Orleans Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the Orleans Levee District's basic financial statements. These financial statements are the responsibility of management of the Orleans Levee District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and major funds of the Orleans Levee District, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2005, on our consideration of the Orleans Levee District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 9 through 19 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the Orleans Levee District's basic financial statements. The accompanying supplementary information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Annual Financial Statement Reporting Packet, presented as supplementary information, is not a required part of the basic financial statements, but is supplementary information required by Louisiana's Office of Statewide Reporting and Accounting Policy. This information has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the accompanying financial statements taken as a whole.

Postlethwaite & Tottenwill

August 24, 2005, except for Note 23,
as to which the date is October 21, 2005

**State of Louisiana
Orleans Levee District
Management's Discussion and Analysis
As of June 30, 2005**

The Management's Discussion and Analysis of the Orleans Levee District's financial performance presents a narrative overview and analysis of the Orleans Levee District's financial activities for the year ended June 30, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the District's financial statements, which begin on page 20.

Financial Highlights

- The assets of the Orleans Levee District exceeded its liabilities at the close of fiscal year 2005 by \$123,887,302 (net assets), which represents a 3.09% increase from last fiscal year.
- The District's total net assets increased by \$3,710,134. Of this amount, \$1,700,000 flowed directly from the donation of lakefront property to the District. Another reason for this increase is that charges for services, et cetera, were greater than the cost of operations and debt service.
- As of the close of the current fiscal year, the Orleans Levee District's governmental funds reported combined ending fund balances of \$37,096,568, an increase of \$2,794,153 in comparison with the prior fiscal year. The most significant factor contributing to this increase was the transfers among the various funds that eliminated the due from/to accounts. See Note 16 on page 63.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$20,432,687, or 125.23% of total General Fund expenditures, which was an increase of \$3,584,244 from that presented in last year's fund financial statements. This change is due the transfers among the various funds that eliminated the due from/to accounts. See Note 16 on page 63.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Orleans Levee District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the

**Orleans Levee District
State of Louisiana
Management's Discussion and Analysis (concluded)**

financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Orleans Levee District's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the Orleans Levee District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the Orleans Levee District's net assets changed during the fiscal year 2005. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Orleans Levee District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activity of the District is flood protection. The business-type activities of the District include two marinas, and an airport.

The government-wide financial statements can be found on pages 20-22 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Orleans Levee District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus

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Management's Discussion and Analysis (concluded)**

on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Orleans Levee District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Special Levee Improvement Fund and General Improvement Fund.

The Orleans Levee District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 23-29 of this report.

Proprietary funds. The Orleans Levee District maintains only enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for Orleans Marina, South Shore Harbor Marina, and Lakefront Airport. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 29-33 of the report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-72 of this report.

**Orleans Levee District
State of Louisiana
Management's Discussion and Analysis (concluded)**

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Orleans Levee District's financial position. For fiscal year ended June 30, 2005, assets exceeded liabilities by \$123,887,302.

By far, the largest portion of the Orleans Levee District's net assets (88.66%) reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide flood protection services to the citizenry of Orleans Parish. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the funds needed to repay this debt must be provided from operating revenues, since the capital assets themselves cannot be used to liquidate these liabilities.

Orleans Levee District						
Net Assets						
	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 38,817,051	\$ 35,824,465	\$ 2,859,226	\$ 2,284,796	\$ 41,676,277	\$ 38,109,261
Capital assets	132,272,454	131,143,307	47,203,982	49,327,344	179,476,436	180,470,651
Total assets	<u>\$ 171,089,505</u>	<u>\$ 166,967,772</u>	<u>\$ 50,063,208</u>	<u>\$ 51,612,140</u>	<u>\$ 221,152,713</u>	<u>\$ 218,579,912</u>
Long-term liabilities						
outstanding	\$ 63,977,338	\$ 64,004,078	\$ 24,657,449	\$ 26,297,529	\$ 88,634,787	\$ 90,301,607
Other liabilities	4,956,036	4,465,012	3,674,588	3,636,125	8,630,624	8,101,137
Total liabilities	<u>\$ 68,933,374</u>	<u>\$ 68,469,090</u>	<u>\$ 28,332,037</u>	<u>\$ 29,933,654</u>	<u>\$ 97,265,411</u>	<u>\$ 98,402,744</u>
Net assets:						
Invested in capital						
assets, net of						
related debt	\$ 88,837,454	\$ 84,828,307	\$ 20,996,137	\$ 21,572,198	\$ 109,833,591	\$ 106,400,505
Restricted	2,466,861	2,130,788	1,111,715	1,044,271	3,578,576	3,175,059
Unrestricted	10,851,816	11,539,587	(376,681)	(937,983)	10,475,135	10,601,604
Total net assets	<u>\$ 102,156,131</u>	<u>\$ 98,498,682</u>	<u>\$ 21,731,171</u>	<u>\$ 21,678,486</u>	<u>\$ 123,887,302</u>	<u>\$ 120,177,168</u>

An additional portion of the Orleans Levee District's net assets (2.89%) represents resources that are subject to external or policy restrictions on how they may be used.

There was an increase of \$336,043 in restricted net assets reported in connection with the Orleans Levee District's governmental activities. This

Orleans Levee District
State of Louisiana
Management's Discussion and Analysis (concluded)

growth resulted from an increase to the reserve for Bohemia Spillway (\$209,313) and greater amounts on deposit for debt service reserves (\$126,730).

The District's net assets increased by \$3,710,134 during the current fiscal year. Of this amount, \$1,700,000 flowed directly from the donation of lakefront property to the District. Another reason for this increase is that charges for services, et cetera, were greater than the cost of operations and debt service.

Orleans Levee District Changes in Net Assets						
	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 917,575	\$ 1,080,073	\$ 14,207,217	\$ 12,170,315	\$ 15,124,792	\$ 13,250,388
Capital grants and contributions	2,211,989	252,348	948,770	(2,605)	3,160,759	249,743
General revenues:						
Property taxes	24,250,518	23,210,568			24,250,518	23,210,568
Other	4,109,859	2,995,738	284,306	229,939	4,394,165	3,225,677
Total revenues	31,489,941	27,538,727	15,440,293	12,397,649	46,930,234	39,936,376
Expenses:						
Flood and drainage protection	21,538,277	21,280,985			21,538,277	21,280,985
Interest	2,495,854	2,701,276			2,495,854	2,701,276
Litigation payments (proceeds), net	3,401,240	1,680,140			3,401,240	1,680,140
Marinas			5,245,419	5,131,525	5,245,419	5,131,525
Lakefront Airport			10,512,952	8,011,716	10,512,952	8,011,716
Total expenses	27,435,371	25,662,401	15,758,371	13,143,241	43,193,742	38,805,642
Increase in net assets before transfers	4,054,570	1,876,326	(318,078)	(745,592)	3,736,492	1,130,734
Transfers	(375,217)	(690,811)	375,217	690,811		
Gain (loss) on disposal of capital assets	(21,904)	281,877	(4,454)	(318)	(26,358)	281,559
Increase in net assets	3,657,449	1,467,392	52,685	(55,099)	3,710,134	1,412,293
Net assets beginning of year	98,498,682	97,031,290	21,678,486	21,733,585	120,177,168	118,764,875
Net assets end of year	\$ 102,156,131	\$ 98,498,682	\$ 21,731,171	\$ 21,678,486	\$ 123,887,302	\$ 120,177,168

Governmental activities. Governmental activities increased the Orleans Levee District's net assets by \$3,657,449, thereby accounting for 98.58% of the total growth in the net assets of the Orleans Levee District. Key elements of this increase are as follows:

- Property taxes increased by \$1,039,950 (4.48%) during the year.
- State grants increased by \$471,910 during the year.

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State of Louisiana
Management's Discussion and Analysis (concluded)**

- Other general revenues improved by \$810,340 from prior year levels due primarily to increases in oil and gas royalties.
- The increase in flood and drainage expenses reflects increases in salaries and related benefits for existing employees, information technology upgrades, including disaster recovery, and fuel and other costs sensitive to the rising cost of oil.

Business-type activities. Business-type activities increased the Orleans Levee District's net assets by \$52,685. Key elements of this change are as follows:

- Operating revenues for business-type activities increased from the prior fiscal year, which is directly related to an increase in charges for services for fuel farm sales and fees of \$2,036,902.
- Overall expenses for business-type activities increased by \$2,615,129, much of which is attributable to an increase in aviation fuel costs of \$1,797,188.

Financial Analysis of the Government's Funds

As noted earlier, the Orleans Levee District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Orleans Levee District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Orleans Levee District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Orleans Levee District's governmental funds reported combined ending fund balances of \$37,096,568, an increase of \$2,794,153 in comparison with the prior year. Of that amount, \$32,957,209 constitutes unreserved fund balance. The Orleans Levee District has designated \$391,566 of its General Fund balance for future expenditures. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to 1) liquidate purchase orders and contracts (encumbrances of \$1,672,498), 2) pay Bohemia litigation settlements (\$456,190), and 3) payment of debt service (\$2,010,671).

**Orleans Levee District
State of Louisiana
Management's Discussion and Analysis (concluded)**

The General Fund is the chief operating fund of the Orleans Levee District. At the end of the current fiscal year, unreserved/undesignated fund balance of the General Fund was \$20,432,687, while total fund balance was \$21,440,722. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balances and total fund balance to total fund expenditures. Unreserved fund balance represents 125.23% of total General Fund expenditures.

The fund balance of the Orleans Levee District's General Fund increased by \$3,884,685 during the current fiscal year. The key factor contributing to this increase was the transfers among the various funds that eliminated the due from/to accounts. See Note 16 on page 63.

The debt service fund had a net increase in fund balance during the current fiscal year of \$126,730. The total fund balance of \$2,010,671 is essentially unchanged from the prior fiscal year.

The general improvement fund has a total fund balance of \$535,847, which is available for spending for major maintenance and capital improvements. The net decrease in fund balance during the current fiscal year in the general improvement fund was \$1,981,022. The key factor contributing to this decrease was the transfers among the various funds that eliminated the due from/to accounts. See Note 16 on page 63. The major sources of revenues for this fund are transfers from the General Fund and grants.

The special levee improvement fund has a total fund balance of \$13,109,328, which is available for spending for major maintenance and capital improvements of the levee system. The net increase in fund balance during the current fiscal year in the special levee improvement fund was \$763,760. The major sources of revenues for this fund are taxes, grants and investment income. Major costs include debt service on the levee improvement bonds, series 1986 and series 1996, along with major maintenance and capital improvement expenditures for the levee system. During the current fiscal year, the growth in fund balance reflects a reduction in major maintenance expenditures.

Proprietary funds. The Orleans Levee District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, unrestricted net assets of Orleans Marina amounted to (\$140,383), South Shore Harbor amounted to (\$1,009,365),

**Orleans Levee District
State of Louisiana
Management's Discussion and Analysis (concluded)**

and those of Lakefront Airport amounted to \$773,067. Total growth/(decline) in net assets for Orleans Marina, South Shore Harbor and Lakefront Airport was (\$4,521,707), (\$8,979,157) and \$13,553,549, respectively.

Orleans Marina and South Shore Harbor normally operate at a profit, while Lakefront Airport usually reports an accounting loss because its revenues are insufficient to cover its annual depreciation charge of \$1,290,431. However, in the current fiscal year, Orleans Marina and South Shore Harbor reported an accounting loss, whereas Lakefront Airport had a surplus. The key factor contributing to this reverse of fortunes was the transfers among the various funds that eliminated the due from/to accounts. See Note 16 on page 63.

Other factors concerning the finances of these funds have already been addressed in the discussion of the Orleans Levee District's business-type activities.

General Fund Budgetary Highlights

Major differences between the original budget and the final amended budget were as follows:

- Revenues
 - Increase of \$222,493 in tax revenues
 - Decrease of \$213,000 in state revenue sharing
 - Increase of \$1,197,769 in royalties
 - Increase of \$136,124 in other state grants
- Expenditures
 - Decrease of \$39,697 for salaries and related benefits to fund rising costs of vehicle fuel
 - Increase of \$33,961 in contractual services for high cost of utilities and bridge maintenance
 - Increase of \$146,619 in materials and supplies for fuel for vehicles and equipment
 - Increase of \$114,073 for professional services attributable to legal fees
 - Increase of \$197,539 for litigation settlements

**Orleans Levee District
State of Louisiana
Management's Discussion and Analysis (concluded)**

Major differences between the actual results and the final amended budget were as follows:

- Revenues greater than budgeted
 - Ad Valorem taxes variance of \$41,479, which represents a 0.36% difference, a reasonable range of estimation error.
 - Investment income variance of \$1,420 or 0.35%, which is a reasonable range of estimation error.
- Expenditures less than budgeted
 - Personal service variance of \$243,287 or 2.02% results from difficulties in filling authorized positions, or managerial discretion in delaying such hiring.
 - Contractual services variance of \$392,257 or 11.40% results from lower than anticipated insurance costs (\$59,681), telecommunications expenditures (\$30,585), hardware and software maintenance (\$100,527) and miscellaneous costs (\$100,527).
 - Professional services variance of \$155,604 or 11.07% is attributable to overestimation of legal costs for the last quarter of the fiscal year, as well as savings from the annual financial audit.

Capital Assets and Debt Administration

Capital assets. The Orleans Levee District's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounted to \$179,476,436 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, and equipment. The total decrease in the Orleans Levee District's investments in capital assets for the current fiscal year was 0.55% (a 0.86% increase for governmental activities and a 4.30% decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Donation of 12.6 acres of land along the lakefront, which was valued at \$1,700,000
- Donation of surf rake valued at \$35,000 for beach clean-up
- Completion of rebuilding the Lakeshore Drive bridge that crosses Orleans Avenue canal

Orleans Levee District
State of Louisiana
Management's Discussion and Analysis (concluded)

- Rebuilding of Mardi Gras fountain and Lakeshore Drive drainage and roadway improvements
- Reconstruction of promenade at South Shore Harbor Marina with the addition of sheet piling to assist in deterring erosion
- Acquisition of new radio system for flood protection and police divisions
- Addition of office space at the West Bank Levee Maintenance Facility
- Acquisition of new fire truck at Lakefront Airport

Orleans Levee District						
Capital Assets (net of depreciation)						
	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 14,274,748	\$ 12,574,748	\$ 19,109,241	\$ 19,109,241	\$ 33,383,989	\$ 31,683,989
Buildings	3,659,398	3,944,377	1,068,370	1,187,412	4,727,768	5,131,789
Improvements other than buildings	2,984,657	2,823,382	26,169,434	26,611,610	29,154,091	29,434,992
Movable property	1,664,081	1,206,982	183,973	187,164	1,848,054	1,394,146
Vehicles	1,688,181	1,525,611	539,650	145,117	2,227,831	1,670,728
Infrastructure	104,146,295	107,903,277	-	-	104,146,295	107,903,277
Construction in progress	3,855,093	1,164,930	133,313	2,086,800	3,988,406	3,251,730
Total	<u>\$ 132,272,453</u>	<u>\$ 131,143,307</u>	<u>\$ 47,203,981</u>	<u>\$ 49,327,344</u>	<u>\$ 179,476,434</u>	<u>\$ 180,470,651</u>

Additional information on the Orleans Levee District's capital assets can be found in note 1-K on pages 43-45 of this report.

Long-term debt. At the end of the current fiscal year, the Orleans Levee District had total bonded debt outstanding of \$69,890,000. The debt of the Orleans Levee District is payable from the avails of the two limited Ad Valorem taxes: the tax authorized by Article 6, Section 39A of the Louisiana Constitution and the special levee improvement tax authorized by the election of November 1983.

**Orleans Levee District
State of Louisiana
Management's Discussion and Analysis (concluded)**

Orleans Levee District Outstanding Debt						
	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Public improvement bonds	\$ -	\$ -	\$26,455,000	\$28,030,000	\$26,455,000	\$ 28,030,000
Levee improvement bonds	43,435,000	46,315,000	-	-	43,435,000	46,315,000
Total	<u>\$43,435,000</u>	<u>\$ 46,315,000</u>	<u>\$26,455,000</u>	<u>\$28,030,000</u>	<u>\$69,890,000</u>	<u>\$ 74,345,000</u>

The Orleans Levee District's debt decreased by \$4,455,000 (5.99%) during the current fiscal year due to scheduled debt service payments.

Additional information on the Orleans Levee District's long-term debt can be found in note 13 on pages 56-60 of this report.

Economic Factors and Next Year's Budgets and Rates

The Board of Commissioners of the Orleans Levee District considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Growth in assessed values of property subject to Ad Valorem taxes
- Expectation of low inflation and low interest rates on the District's investments

The Orleans Levee District does not envision any substantive change in the economic environment or its operations. It therefore, prepared the budget using existing revenue and cost parameters. Given the constraints the Orleans Levee District faces in raising revenue, it is expected that next year's results will not change substantially.

Requests for Information

This financial report is designed to provide a general overview of the Orleans Levee District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Commissioners of the Orleans Levee District, Finance Department, Suite 219, 6001 Stars & Stripes Boulevard, New Orleans, Louisiana 70126.

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Statement A

**Statement of Net Assets
June 30, 2005**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Current assets:			
Cash and cash equivalents (note 2)	\$ 25,962,843	\$ 200	\$ 25,963,043
Investments (note 3)	8,711,028	-	8,711,028
Receivables (note 4)	763,424	868,559	1,631,983
Due from other governments	570,776	-	570,776
Inventory (note 1-G)	240,245	497,062	737,307
Other Assets	101,874	5,690	107,564
Restricted assets (note 11)	2,466,861	1,111,715	3,578,576
Total current assets	<u>38,817,051</u>	<u>2,483,226</u>	<u>41,300,277</u>
Noncurrent assets:			
Deferred charges	-	376,000	376,000
Capital assets:			
Land (note 5)	14,274,748	19,109,241	33,383,989
Other capital assets, net of depreciation (note 5)	117,997,706	28,094,741	146,092,447
Total noncurrent assets	<u>132,272,454</u>	<u>47,579,982</u>	<u>179,852,436</u>
TOTAL ASSETS	<u>\$ 171,089,505</u>	<u>\$ 50,063,226</u>	<u>\$ 221,152,731</u>
LIABILITIES			
Current liabilities:			
Payables (note 12)	\$ 1,072,421	\$ 186,115	\$ 1,258,536
Contracts payable	258,570	10,979	269,549
Deferred revenues - current (note 1-L)	98,157	604,070	702,227
Accrued compensated absences (notes 9 and 13)	31,392	3,741	35,133
Other liabilities		2,975	2,975
Payable from restricted assets:			
Bonds payable (note 13)	3,090,000	1,685,000	4,775,000
Accrued bond interest payable	405,496	251,547	657,043
Total current liabilities	<u>4,956,036</u>	<u>2,744,427</u>	<u>7,700,463</u>
Noncurrent liabilities:			
Deferred revenues - noncurrent (note 1-L)		930,161	930,161
Accrued compensated absences (notes 9 and 13)	899,155	134,604	1,033,759
Bonds payable (note 13)	40,345,000	24,522,845	64,867,845
Judgments payable (note 17)	22,733,183	-	22,733,183
Total noncurrent liabilities	<u>63,977,338</u>	<u>25,587,610</u>	<u>89,564,948</u>
Total liabilities	<u>68,933,374</u>	<u>28,332,037</u>	<u>97,265,411</u>
NET ASSETS			
Invested in capital assets, net of related debt	88,837,454	20,996,137	109,833,591
Restricted (note 11)	2,466,861	1,111,715	3,578,576
Unrestricted (deficit)	10,851,816	(376,681)	10,475,135
Total net assets	<u>102,156,131</u>	<u>21,731,171</u>	<u>123,887,302</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 171,089,505</u>	<u>\$ 50,063,208</u>	<u>\$ 221,152,713</u>

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

**Statement of Activities
For the Year Ended June 30, 2005**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:			
Flood and drainage protection	\$ 21,538,276	\$ 917,575	\$ 2,211,989
Interest	2,495,855	-	-
Total governmental activities	<u>24,034,131</u>	<u>917,575</u>	<u>2,211,989</u>
Business-type activities:			
Airport	10,512,952	8,553,479	941,262
Marinas	5,245,419	5,653,738	7,508
Total business-type activities	<u>15,758,371</u>	<u>14,207,217</u>	<u>948,770</u>
Total	<u>\$ 39,792,502</u>	<u>\$ 15,124,792</u>	<u>\$ 3,160,759</u>

General revenues:

Property taxes
 Unrestricted intergovernmental revenues
 Unrestricted investment earnings
 Miscellaneous
 Gain (loss) on disposal of capital assets
 Litigation payments
 Transfers
 Total general revenues, litigation payments,
 and transfers

CHANGE IN NET ASSETS

NET ASSETS AT BEGINNING OF YEAR

NET ASSETS AT END OF YEAR

The notes to the financial statements are an integral part of this statement.

**NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS**

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (18,408,712)	\$ -	\$ (18,408,712)
(2,495,855)	-	(2,495,855)
(20,904,567)	-	(20,904,567)
-	(1,018,211)	(1,018,211)
-	415,827	415,827
-	(602,384)	(602,384)
(20,904,567)	(602,384)	(21,506,951)
24,250,518	-	24,250,518
1,282,663	-	1,282,663
658,718	12,451	671,169
2,168,478	271,855	2,440,333
(21,904)	(4,454)	(26,358)
(3,401,240)	-	(3,401,240)
(375,217)	375,217	-
24,562,016	655,069	25,217,085
3,657,449	52,685	3,710,134
98,498,682	21,678,486	120,177,168
\$ 102,156,131	\$ 21,731,171	\$ 123,887,302

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS**

**Balance Sheet
June 30, 2005**

	GENERAL FUND	DEBT SERVICE FUND	GENERAL IMPROVEMENT FUND
ASSETS			
Cash and cash equivalents	\$ 18,254,652	\$ -	\$ -
Investments	3,697,575	-	-
Receivables	235,998	-	-
Due from other funds (note 16)	-	-	-
Due from other governments	-	-	570,776
Inventory	240,245	-	-
Restricted assets	456,190	2,010,671	-
Other assets	101,875	-	-
TOTAL ASSETS	\$ 22,986,535	\$ 2,010,671	\$ 570,776
LIABILITIES			
Payables (note 12)	\$ 1,057,179	\$ -	\$ 4,018
Contracts payable	-	-	30,911
Deferred revenues - current	98,158	-	-
Due to other funds (note 16)	390,476	-	-
Total liabilities	1,545,813	-	34,929
FUND BALANCE			
Reserved (note 14)	616,469	2,010,671	62,883
Unreserved - designated (note 15)	391,566	-	-
Unreserved - undesignated	20,432,687	-	472,964
Total fund balances	21,440,722	2,010,671	535,847
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,986,535	\$ 2,010,671	\$ 570,776

Continued

The notes to the financial statements are an integral part of this statement.

Statement C

SPECIAL LEVEE IMPROVEMENT PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
\$ 7,708,191	\$ 25,962,843
5,013,453	8,711,028
236,091	472,089
390,476	390,476
-	570,776
-	240,245
-	2,466,861
-	101,875
<u>\$ 13,348,211</u>	<u>\$ 38,916,193</u>
\$ 11,224	\$ 1,072,421
227,659	258,570
-	98,158
-	390,476
<u>238,883</u>	<u>1,819,625</u>
1,449,336	4,139,359
-	391,566
11,659,992	32,565,643
<u>13,109,328</u>	<u>37,096,568</u>
<u>\$ 13,348,211</u>	<u>\$ 38,916,193</u>

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS
Balance Sheet, 2005**

Statement C

**Reconciliation of fund balances - total government funds to the
net assets of the governmental funds**

Total governmental fund balances (Statement D)	\$ 37,096,568
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$48,586,744	132,272,454
Other noncurrent assets are not available to pay for current- expenditures and therefore are deferred in the funds	291,335
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued bond interest payable	(405,496)
Accrued compensated absences	(930,547)
Bonds payable	(43,435,000)
Judgments payable	<u>(22,733,183)</u>
Net Assets of Governmental Activities (Statement A)	<u>\$ 102,156,131</u>

Concluded

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
June 30, 2005**

	GENERAL FUND	DEBT SERVICE FUND	GENERAL IMPROVEMENT FUND
REVENUES			
Taxes	\$ 11,572,083	\$ -	\$ -
Intergovernmental:			
State revenue sharing	1,282,663	-	-
Federal and state grants	136,124	-	342,935
Charges for services:			
Bohemia rents and leases	1,500	-	-
Other rents and leases	916,075	-	-
Oil and gas royalties	1,597,769	-	-
Investment income	401,420	21,730	-
Miscellaneous	36,182	-	-
Total revenues	<u>15,943,816</u>	<u>21,730</u>	<u>342,935</u>
EXPENDITURES			
Current - flood and drainage protection	16,315,630	-	-
Debt service:			
Principal	-	2,880,000	-
Interest	-	2,513,288	-
Bond issuance costs	-	-	-
Capital outlay	-	-	527,976
Total expenditures	<u>16,315,630</u>	<u>5,393,288</u>	<u>527,976</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(371,814)	(5,371,558)	(185,041)
OTHER FINANCING SOURCES (USES)			
Proceeds from forward delivery of bonds	-	-	-
Transfers in	20,269,796	5,498,288	1,029,711
Transfers out	(15,624,032)	-	(2,825,692)
Litigation payments	(389,265)	-	-
Total other financing sources (uses)	<u>4,256,499</u>	<u>5,498,288</u>	<u>(1,795,981)</u>
NET CHANGES IN FUND BALANCES	3,884,685	126,730	(1,981,022)
FUND BALANCES AT BEGINNING OF YEAR	<u>17,556,037</u>	<u>1,883,941</u>	<u>2,516,869</u>
FUND BALANCES AT END OF YEAR	<u>\$ 21,440,722</u>	<u>\$ 2,010,671</u>	<u>\$ 535,847</u>

The notes to the financial statements are an integral part of this statement.

Statement D

SPECIAL LEVEE IMPROVEMENT PROJECTS FUND		TOTAL GOVERNMENTAL FUNDS	
\$	12,792,062	\$	24,364,145
	-		1,282,663
	-		479,059
	-		1,500
	-		916,075
	-		1,597,769
	235,568		658,718
	445,458		481,640
	<u>13,473,088</u>		<u>29,781,569</u>
	-		16,315,630
	-		2,880,000
	9,336		2,522,624
	88,050		88,050
	3,977,723		4,505,699
	<u>4,075,109</u>		<u>26,312,003</u>
	9,397,979		3,469,566
	89,069		89,069
	-		26,797,795
	(8,723,288)		(27,173,012)
	-		(389,265)
	<u>(8,634,219)</u>		<u>(675,413)</u>
	763,760		2,794,153
	<u>12,345,568</u>		<u>34,302,415</u>
\$	<u>13,109,328</u>	\$	<u>37,096,568</u>

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS**

Statement E

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2005**

Net change in fund balance - total governmental funds (Statement D)	\$ 2,794,153
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Amounts reported for governmental activities in the Statement of Activities are different because:
Governmental funds report capital outlay as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset additions	3,991,501
Depreciation expense	(4,573,381)

In the Statement of Activities, only the gain or loss on the sale or disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balances by the cost of capital assets sold or disposed.

(21,904)

Revenues in the Statement of Activities that do not provide current financial resources are not report as revenues in the funds.

1,619,303

Repayment of noncurrent debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Capital obligation principal payments	2,880,000
Judgments payable	(3,011,975)

In the Statement of Activities, bond interest and compensated absences are accrued, whereas in government funds, these expenditures are reported when due.

Accrued bond interest	26,770
Accrued compensated absences	(47,018)

Change in Net Assets of Governmental Activities (Statement B)

\$ 3,657,449

The notes to the financial statements are an integral part of this statement.

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ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
GENERAL FUND

Statement F

Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	\$ 11,308,111	\$ 11,530,604	\$ 11,572,083	\$ 41,479
Intergovernmental:				
State revenue sharing	1,500,000	1,287,000	1,282,663	(4,337)
Other state grants	-	136,124	136,124	-
Charges for services:				
Bohemia rents and leases	-	1,500	1,500	-
Other rents and leases	930,518	925,758	916,075	(9,683)
Oil and gas royalties	400,000	1,597,769	1,597,769	-
Investment income	400,000	400,000	401,420	1,420
Miscellaneous	500	55,206	36,182	(19,024)
Total revenues	14,539,129	15,933,961	15,943,816	9,855
EXPENDITURES				
Flood and drainage protection:				
Personal services	12,077,514	12,037,817	11,794,530	243,287
Travel	23,620	30,613	22,875	7,738
Contractual services	3,388,091	3,422,052	3,029,795	392,257
Materials and supplies	1,026,420	1,173,039	1,075,624	97,415
Professional services	1,291,500	1,405,573	1,249,969	155,604
Other charges	43,815	44,874	31,400	13,474
Cost allocations	(1,625,000)	(1,625,000)	(1,800,847)	175,847
Machinery and equipment	1,106,050	1,087,235	912,284	174,951
Total expenditures	17,332,010	17,576,203	16,315,630	1,260,573
Excess (deficiency) of revenues over expenditures	(2,792,881)	(1,642,242)	(371,814)	1,270,428
OTHER FINANCING SOURCES (USES)				
Contingencies	(19,500)	(18,917)	-	18,917
Operating transfers in	3,225,000	3,225,000	20,269,796	17,044,796
Operating transfers out	(1,011,000)	(1,644,760)	(15,624,032)	(13,979,272)
Litigation payments	(200,000)	(397,539)	(389,265)	8,274
Total other financing sources (uses)	1,994,500	1,163,784	4,256,499	3,092,715
NET CHANGES IN FUND BALANCES	(798,381)	(478,458)	3,884,685	4,363,143
FUND BALANCE AT BEGINNING OF YEAR	17,556,037	17,556,037	17,556,037	NONE
FUND BALANCES AT END OF YEAR	\$ 16,757,656	\$ 17,077,579	\$ 21,440,722	\$ 4,363,143

The notes to the financial statements are an integral part of this statement.

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ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS

Statement G

Statement of Net Assets
June 30, 2005

	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	TOTAL PROPRIETARY FUNDS
ASSETS				
Current assets:				
Cash	\$ 100	\$ 100	\$ -	\$ 200
Receivables (net of allowance for uncollectibles) (note 4)	11,898	256,140	600,521	868,559
Inventory	-	-	497,063	497,063
Restricted assets (note 11)	-	1,111,715	-	1,111,715
Other Assets	500	-	5,190	5,690
Total current assets	<u>12,498</u>	<u>1,367,955</u>	<u>1,102,774</u>	<u>2,483,227</u>
Noncurrent assets:				
Due from other funds (note 16)	-	-	-	-
Deferred charges	-	376,000	-	376,000
Land (note 5)	301,339	3,358,103	15,449,799	19,109,241
Other capital assets (net of accumulated depreciation) (note 5)	842,726	18,909,613	8,342,402	28,094,741
Total noncurrent assets	<u>1,144,065</u>	<u>22,643,716</u>	<u>23,792,201</u>	<u>47,579,982</u>
TOTAL ASSETS	<u>\$ 1,156,563</u>	<u>\$ 24,011,671</u>	<u>\$ 24,894,975</u>	<u>\$ 50,063,209</u>
LIABILITIES				
Liabilities:				
Current liabilities:				
Payables (note 12)	\$ 21,952	\$ 23,523	\$ 140,640	\$ 186,115
Contracts payable	10,979	-	-	10,979
Deferred revenues	99,502	402,199	102,369	604,070
Accrued compensated absences (notes 9 and 13)	-	1,472	2,269	3,741
Other liabilities	809	2,167	-	2,976
Payable from restricted assets:				
Bonds payable (note 13)	-	1,685,000	-	1,685,000
Accrued bond interest payable	-	251,547	-	251,547
Total current liabilities	<u>133,242</u>	<u>2,365,908</u>	<u>245,278</u>	<u>2,744,428</u>
Noncurrent liabilities:				
Due to other funds (note 16)	-	-	-	-
Deferred revenues	-	930,161	-	930,161
Accrued compensated absences (notes 9 and 13)	19,638	30,536	84,430	134,604
Bonds payable (note 13)	-	24,522,845	-	24,522,845
Total noncurrent liabilities	<u>19,638</u>	<u>25,483,542</u>	<u>84,430</u>	<u>25,587,610</u>
Total liabilities	<u>152,880</u>	<u>27,849,450</u>	<u>329,708</u>	<u>28,332,038</u>
NET ASSETS				
Invested in capital assets (net of related debt)	1,144,065	(3,940,129)	23,792,201	20,996,137
Restricted for debt service	-	1,111,715	-	1,111,715
Unrestricted (deficit)	(140,382)	(1,009,365)	773,066	(376,681)
Total net assets	<u>1,003,683</u>	<u>(3,837,779)</u>	<u>24,565,267</u>	<u>21,731,171</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,156,563</u>	<u>\$ 24,011,671</u>	<u>\$ 24,894,975</u>	<u>\$ 50,063,209</u>

The notes to the financial statements are an integral part of this statement.

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS**

Statement H

**Statement of Revenues, Expenses,
and Changes in Fund Net Assets
For the Year Ended June 30, 2005**

	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES				
Charges for services:				
Rentals	\$ 927,818	\$ 515,083	\$ 1,163,880	\$ 2,606,781
Fuel farm sales and fees	-	-	7,003,511	7,003,511
Gaming fees	-	4,210,838	386,087	4,596,925
Total charges for services	927,818	4,725,921	8,553,478	14,207,217
Miscellaneous	160,845	48,739	62,271	271,855
Total operating revenues	1,088,663	4,774,660	8,615,749	14,479,072
OPERATING EXPENSES				
Personal services	242,611	340,297	733,889	1,316,797
Travel	-	2,027	2,088	4,115
Contractual services	107,226	134,220	663,816	905,262
Materials and Supplies:				
Fuel farm	-	-	6,171,454	6,171,454
Other	28,135	50,100	136,768	215,003
Professional services	192,222	107,366	244,954	544,542
Other charges	12,425	8,244	422	21,091
Cost allocations	286,372	376,214	615,392	1,277,978
Depreciation	95,150	1,484,360	1,290,431	2,869,941
Major maintenance	126,499	19,677	653,738	799,914
Total operating expenses	1,090,640	2,522,505	10,512,952	14,126,097
NET OPERATING INCOME (LOSS)	(1,977)	2,252,155	(1,897,203)	352,975
NONOPERATING REVENUES (EXPENSES)				
Investment income	7	12,444	-	12,451
Loss on disposal of capital assets	(2,239)	(2,214)	-	(4,453)
Debt service interest and bank charges	-	(1,571,541)	-	(1,571,541)
Bond issuance costs	-	(60,733)	-	(60,733)
Total nonoperating revenues (expenses)	(2,232)	(1,622,044)	-	(1,624,276)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(4,209)	630,111	(1,897,203)	(1,271,301)
CONTRIBUTIONS AND TRANSFERS				
Capital contributions from grants	-	-	936,692	936,692
Capital contributions from other funds	4,004	3,503	4,570	12,077
Operating transfers in	634,118	274,450	14,509,490	15,418,058
Operating transfers out	(5,155,620)	(9,887,222)	-	(15,042,842)
Total contributions and transfers	(4,517,498)	(9,609,269)	15,450,752	1,323,985
CHANGES IN NET ASSETS	(4,521,707)	(8,979,158)	13,553,549	52,684
TOTAL NET ASSETS AT BEGINNING OF YEAR	5,525,390	5,141,379	11,011,718	21,678,487
TOTAL NET ASSETS AT END OF YEAR	\$ 1,003,683	\$ (3,837,779)	\$ 24,565,267	\$ 21,731,171

The notes to the financial statements are an integral part of this statement.

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ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS

Statement I

Statement of Cash Flows
For the Year Ended June 30, 2005

	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	TOTAL PROPRIETARY FUNDS
CASH FLOW FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 1,077,040	\$ 4,840,819	\$ 8,443,703	\$ 14,361,562
Payments to suppliers	(495,666)	(421,760)	(8,093,623)	(9,011,049)
Payments to employees	(240,248)	(338,868)	(718,654)	(1,297,770)
Internal activity	4,349,784	8,754,704	(14,543,907)	(1,439,419)
Net cash provided (used) by operating activities	4,690,910	12,834,895	(14,912,481)	2,613,324
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers	(4,521,502)	(9,612,772)	14,509,490	375,216
Net cash provided (used) by noncapital financing activities	(4,521,502)	(9,612,772)	14,509,490	375,216
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from federal and state grants	-	-	936,692	936,692
Purchase of capital assets	(171,909)	(33,344)	(533,701)	(738,954)
Principal paid on capital debt	-	(1,547,302)	-	(1,547,302)
Interest paid on capital debt	-	(1,586,477)	-	(1,586,477)
Net cash provided (used) by capital and related financing activities	(171,909)	(3,167,123)	402,991	(2,936,041)
CASH FROM INVESTING ACTIVITIES:				
Interest	7	12,444	-	12,451
Net cash provided by investing activities	7	12,444	-	12,451
NET INCREASE (DECREASE) IN CASH	(2,494)	67,444	-	64,950
CASH BALANCES, BEGINNING	2,594	1,044,371	-	1,046,965
CASH BALANCES, ENDING	\$ 100	\$ 1,111,815	\$ -	\$ 1,111,915
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (1,977)	\$ 2,252,155	\$ (1,897,203)	\$ 352,975
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Cash flows reported in other categories:				
Depreciation expense	95,150	1,484,360	1,290,431	2,869,941
Change in assets and liabilities:				
Receivables, net	(11,623)	66,158	(172,045)	(117,510)
Inventories	-	-	(258,243)	(258,243)
Prepaid expenses and other assets	450	950	(482)	918
Receivables from (to) other funds	4,636,156	9,130,918	(13,928,516)	(161,442)
Accounts and other payables	(27,246)	(99,646)	53,577	(73,315)
Net cash provided (used) by operating activities	\$ 4,690,910	\$ 12,834,895	\$ (14,912,481)	\$ 2,613,324

The notes to the financial statements are an integral part of this statement.

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

INTRODUCTION

The Orleans Levee District (the District) and its Board of Commissioners (the Board) were established by Act 93 of the 1890 General Assembly (Legislature) of the State of Louisiana. The Board has primary responsibility for the operation and maintenance of levees, embankments, seawalls, jetties, breakwaters, water basins, and other hurricane and flood protection improvements surrounding the City of New Orleans, including the southern shores of Lake Pontchartrain and along the Mississippi River. The Board is responsible for the maintenance of almost 129 miles of levees and floodwalls. To enhance flood protection, the Orleans Levee District and the United States Corps of Engineers participate in several joint flood protection projects (note 21) relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan).

Act 292 of the 1928 Louisiana Legislature authorized the Board to dedicate, construct, operate, and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The Board owns and operates a general aviation airport, the New Orleans Lakefront Airport. The Board also owns and operates the Orleans Marina and the South Shore Harbor Marina. The Orleans Marina has 352 boat slips. The South Shore Harbor Marina, which was officially dedicated September 19, 1987, has a 43-acre calm water basin, 453 open boat slips, and 26 covered boat slips. In addition, Orleans Levee District receives certain rents and gaming related monies from a steamboat operator located at the South Shore Harbor Marina. The District has approximately 242 full-time employees, including 49 police officers and 11 firefighters.

The District is governed by a Board of eight commissioners, six of whom are appointed by the governor. Two commissioners serve in an ex-officio capacity, the mayor of the City of New Orleans or his designee and one member appointed by the mayor from a list of three City Councilmen selected by the members of the City Council of New Orleans.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting standards.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The District is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the majority of commissioners and can impose his will upon the District. The accompanying financial statements present information only as to the transactions of the Orleans Levee District, a component unit of the State of Louisiana. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements.

C. FUNDS

The District uses fund accounting to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds of the District are classified into two categories: governmental and proprietary. In turn, each category is divided into separate

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

fund types. The fund classification and a description of each existing fund type follows:

Governmental Funds

Governmental funds account for all or most of the District's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the District. The following are the District's primary governmental funds:

1. General Fund--the primary operating fund of the District and it accounts for all financial resources, except those required to be accounted for in other funds.
2. Debt Service Fund--accounts for transactions relating to resources retained and used for the payment of general long-term debt principal, interest and related costs.
3. Capital projects funds--account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Proprietary Funds

Proprietary funds account for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

maintenance of equity, is an important financial indicator. Proprietary funds of the District consist of enterprise funds that account for the operations of the marinas and airport. The intent of the District for these facilities is (a) that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets (Statement A) and the Statement of Activities (Statement B) display information about the reporting government as a whole. These statements include all the financial activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, certain interfund activity and balances were eliminated or reclassified.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues - Program revenues included in the Statement of Activities (Statement B) derive directly from parties outside the District's taxpayers or citizenry, as a whole; program revenues

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

reduce the cost of the function to be financed from the District's general revenues.

Allocation of Indirect Expenses - The District reports all direct expenses by function in the Statement of Activities (Statement B). Direct expenses are those that are clearly identifiable with a function. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The District considers all funds as major.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes and the related state revenue sharing (which is based on population and homesteads in the parish) are recorded in the year the taxes are due and payable. As provided by Louisiana Revised Statute (R.S.) 47:1997(b), ad valorem taxes are assessed for the calendar year, become due on the first day of January each year, and become delinquent on the first day of February. The taxes are generally collected in January, February, March, and April of each year.

Federal and state entitlements are recorded as unrestricted grants-in-aid when available and measurable. Expenditure-driven federal and state grants are recorded as restricted grants-in-aid when the reimbursable expenditures have been incurred.

Oil and gas royalties are recorded when earned.

Investment income includes both the interest earned on cash and investments and the change in the fair value of investments. GASB Statement No. 31 requires that investments be reported at fair value on the balance sheet. The change in fair value of investments from the beginning to the end of the current fiscal year is the net increase (decrease) in the fair value of investments and is included as a component of investment income.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Substantially all other revenues are recorded when received.

Expenditures

In the fund financial statements, expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual and sick leave, which is recognized when paid, and interest on general long-term debt, which is not recognized until due.

Other Financing Sources (Uses)

Other financing sources (uses), representing transfers between funds that are not expected to be repaid; sale of assets; proceeds from capital leases; and proceeds from litigation settlements, are recognized when they become available and measurable. Litigation settlements are recognized in the period in which they occur.

Proprietary funds are accounted for using a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on the balance sheet. The proprietary funds - enterprise funds use the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Major revenues and expenses are recorded as follows:

Revenues

Rentals and fuel farm sales are recorded as operating revenues in the accounting period in which they are earned.

Gaming fees are recorded as operating revenues in the accounting period in which they are earned.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Investment income and federal and state grants are recognized as nonoperating revenue in the accounting period in which they are earned.

Expenses

Salaries are recognized as expenses in the accounting period earned by employees.

Depreciation expense on all exhaustible capital assets is determined by the straight-line method using the estimated useful life and is recorded as an operating expense during the accounting period.

Substantially all other expenses are recognized when incurred.

Under the provisions of GASB Statement 20, "Accounting and Financial Reporting for Proprietary Fund Accounting," the District follows pronouncements of the GASB and has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

E. BUDGET PRACTICES

The District prepares its budget in accordance with R.S. 38:318. The budget is prepared on a modified accrual basis for the General Fund. The budget for the fiscal year ended June 30, 2005, was adopted on January 21, 2004, and subsequent amendments were adopted on October 20, 2004, May 18, 2005, June 15, 2005 and July 20, 2005. Formal budget integration is employed as a management control device during the year for the General Fund. The Debt Service Fund is not budgeted; however, operating transfers relating to debt service are budgeted in the General Fund. All appropriations lapse at year-end, and any encumbrances outstanding at year-end in the governmental funds are included in the next year's budget with funds appropriated in that year to finance them.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

F. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes petty cash and demand deposits. Cash equivalents include amounts in time deposits, money market mutual funds, commercial paper, and United States Treasury bills. Under state law, the Orleans Levee District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the District may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in United States Treasury obligations, United States government agency obligations, and direct security repurchase agreements, or in eligible mutual funds that invest in these securities. Investments are stated at fair value.

G. INVENTORY

The District maintains a perpetual inventory system for general government materials and supplies and fuel purchased for resale by the New Orleans Lakefront Airport (enterprise fund). The general government inventory is recorded as an expenditure in the General Fund at the time the individual items are withdrawn from stock. The general government inventory is valued at average cost. The year-end balance consists of flood protection items that could be needed at any time. The fuel purchases are recorded as an expense in the previously mentioned enterprise fund when consumed. The fuel purchases are valued at cost using the first-in, first-out (FIFO) method.

H. RESTRICTED ASSETS

Restricted assets in governmental activities consist of funds set aside for Bohemia settlement payments within the General Fund, and proceeds from funds set aside for payment of levee improvement debt within the Debt Service Fund. These funds are classified as restricted assets since their use is limited.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Restricted assets presented in the financial statements for business-type activities represent proceeds from funds set aside for payment of South Shore Harbor debt. These funds are classified as restricted assets since their use is limited by applicable bond indentures.

I. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable fund balance, is employed as an extension of formal budget integration in the General Fund and capital projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balances in the fund financial statements since they do not constitute available spendable resources.

J. DEFERRED CHARGES

Deferred charges consist of unamortized bond issue costs. These costs are capitalized and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method.

K. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure (such as bridges, seawalls, roads, and levees), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalization.

Capital assets used in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary fund statements. No salvage value is taken into consideration for depreciation purposes. All

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

Description	Years
Land improvements	20
Buildings and building improvements	40
Furniture and fixtures	7-10
Vehicles	7
Equipment	7-10
Infrastructure	40

Flood Protection Systems

Resources of the United States Army Corps of Engineers (USACE), the State of Louisiana, the Orleans Levee District, and the City of New Orleans as local participants are committed to protecting lives and property of the residents and businesses of the City of New Orleans from the potential for flooding posed by the Mississippi River and its tributaries, and from Lake Pontchartrain.

The Orleans Levee District and the Corps of Engineers have together invested \$411 million in flood control systems in the Lake Pontchartrain and Vicinity Hurricane Protection Plan for Orleans Parish. Major elements of the protection program include (1) levees, floodwalls and floodgates along the lakefront, Mississippi River Gulf Outlet canal and along the three critical outfall canals, (2) a seawall at the shores of Lake Pontchartrain, and (3) barrier levees on the outskirts of the city. The current height of these levees is 14 to 18 feet. The USACE has spent \$19.9 million on 27.5 miles of Mississippi River levees, floodwalls, floodgates, and other flood control structures.

In accordance with accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board Statement No. 34, governments are required to identify infrastructure assets, including flood control systems. While the Orleans Levee District manages and monitors the levees, flood control structures and bridges comprising the flood protection system, the USACE has the primary responsibility for major maintenance and construction. Accordingly, the Orleans Levee

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

District has excluded from its financial statements those costs incurred on assets owned by others or substantially built and maintained by others.

Only those portions of the flood protection system that were identified in the District's 1984 bond issue have been capitalized. Those costs are included in the financial statements and amount to \$53,481,035 relating to investments in levees, floodwalls, floodgates, flood control structures, et cetera.

Other Infrastructure Assets

In addition to the \$53,481,035 noted above, the financial statements reflect investments in roadways, bridges, parks and recreation, and buildings. Total cost of infrastructure assets at June 30, 2005, totaled \$131,606,220. The components of this total are as follows:

Bridges/roadways	\$ 73,749,243
Parks/recreation	2,066,374
Buildings	2,309,568
Subtotal - other infrastructure assets	<u>78,125,185</u>
Flood protection systems	<u>53,481,035</u>
Total - infrastructure assets	<u><u>\$ 131,606,220</u></u>

Accumulated depreciation on infrastructure assets at June 30, 2005, totals \$27,459,924.

L. DEFERRED REVENUES

The District reports deferred revenues on its fund financial statement balance sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

M. COMPENSATED ABSENCES

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. In addition, it is the District's policy to pay any accumulated compensatory leave at the employee's hourly rate of pay at the time of termination.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the governmental fund financial statements when leave is actually taken, and in the enterprise fund financial statements when earned. The government-wide financial statements present the cost of accumulated annual leave as a liability. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay this amount when employees separate from service.

N. LONG-TERM OBLIGATIONS

The government-wide financial statements and the proprietary fund statements present long-term debt and other long-term obligations. Bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as additions to the face amount of bonds payable and bond discounts are presented as reductions to the face amount of bonds payable.

**O. POSTEMPLOYMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The Orleans Levee District provides certain continuing health care and life insurance benefits for its retired employees. The District recognizes the cost of providing these retiree benefits as an expenditure when paid during the year.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

P. DEFERRED COMPENSATION PLAN

Certain employees of the Orleans Levee District participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

Q. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

R. RESTRICTED NET ASSETS

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

- (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
- (2) imposed by law through constitutional provisions or enabling legislation.

S. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures/expenses, initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

equity transfers. All other interfund transfers are reported as operating transfers.

T. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At June 30, 2005, the District has cash and cash equivalents (book balances), totaling \$29,541,619, which consists of the following:

Cash:	
Petty cash	\$ 700
Demand deposits	695,605
Subtotal	<u>696,305</u>
Cash equivalents:	
Time deposits	2,000,000
Money market mutual funds	6,391,538
Commercial Paper	1,996,680
U. S. Treasury bills	18,457,096
Subtotal	<u>28,845,314</u>
Total cash and cash equivalents	<u>\$ 29,541,619</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

The deposits at June 30, 2005, are as follows:

	Deposits in Bank Accounts		
	Cash	Certificates of Deposit	Total
Deposits in Bank Accounts per Balance Sheet	<u>\$ 695,605</u>	<u>\$ 2,000,000</u>	<u>\$ 2,695,605</u>
Total Bank Balances	<u>\$ 1,602,803</u>	<u>\$ 2,000,000</u>	<u>\$ 3,602,803</u>

Note: the total bank balances will not necessarily equal the deposits in bank account per the Statement of Net Assets (Schedule A). Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits are secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance at all times equals the amount on deposit with the fiscal agent. Because the securities are held by the pledging fiscal agent in the District's name, the District does not have any custodial credit risk.

The \$6,391,538 of money market mutual funds, which includes restricted assets, consist of shares of mutual funds that are invested in direct obligations of the United States Department of Treasury, other federal governmental agencies, and repurchase agreements involving these securities that are not required to be classified as to category of credit risk by GASB Codification Section 150.165.

The \$18,457,096 of U.S. Treasury bills and \$1,996,680 of commercial paper have an original maturity of three months or less and are defined as cash equivalents according to GASB Codification Section 2450.106 but are classified as investments for purposes of credit risk.

3. INVESTMENTS

At June 30, 2005, investments of the District total \$29,164,803, which is shown on Statement A as \$8,711,028 of investments, and \$20,453,776 of cash equivalents (\$18,457,096 in U. S. Treasury bills and \$1,996,680 in commercial paper).

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Interest rate risk is the risk applicable to debt instruments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates of debt instruments. The following table shows the District's investments and maturities in actively managed accounts at June 30, 2005:

	Fair Value	Investments Maturities (in Years)			
		Less Than One	1-5	5-10	>10
U. S. Treasury bills	\$ 18,457,096	\$ 18,457,096	\$ -	\$ -	\$ -
Commercial paper	1,996,680	1,996,680	-	-	-
Federal Home Loan Mortgage Association	3,954,441	859,496	2,055,004	221,673	818,268
Federal National Mortgage Association	2,487,831	62,362	290,359	475,769	1,659,341
Governmental National Mortgage Association	2,228,138	260,766	903,006	190,903	873,463
U. S. Department of Veterans Affairs Guaranteed Remic Pass-Through Certificates	40,617	1,080	5,032	8,245	26,260
Total investments	<u>\$ 29,164,803</u>	<u>\$ 21,637,480</u>	<u>\$ 3,253,401</u>	<u>\$ 896,590</u>	<u>\$ 3,377,332</u>

State law limits investments in commercial paper to investment grade (A-1/P-1) commercial paper of domestic United States corporations. As of June 30, 2005, the District's investments in commercial paper were rated A-1 by Standard & Poor's and P-1 by Moody's Investors Service.

Investments of governmental securities reflected in the governmental funds and the enterprise funds are stated at fair value as required by GASB Statement No. 31. The District used quoted market values to determine the fair value of the investments. These investments are direct obligations of the United States Department of Treasury and other federal governmental agencies. These investments are considered uninsured and unregistered but are held in the name of the entity. These investments are classified as GASB Risk Category 2 of Statement No. 3 in applying the credit risk of GASB Codification Section 150.164.

ORLEANS LEVEE DISTRICT**STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

4. RECEIVABLES

At June 30, 2005, the District has receivable balances, totaling \$1,631,983, as follows:

<u>Class of Receivables</u>	<u>Total Governmental Activities</u>	<u>Total Business-Type Activities</u>	<u>Total</u>
Ad valorem taxes	\$ 751,283		\$ 751,283
Fuel farm sales and fees		\$ 599,560	599,560
Rents, leases, and other	12,141	268,999	281,140
Total	<u>\$ 763,424</u>	<u>\$ 868,559</u>	<u>\$ 1,631,983</u>

All amounts are due within one year.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 12,574,748	\$ 1,700,000	\$ -	\$ 14,274,748
Construction in progress	1,164,930	2,796,737	106,574	3,855,093
Total capital assets, not being depreciated	13,739,678	4,496,737	106,574	18,129,841
Capital assets, being depreciated:				
Buildings	10,061,647	49,700	-	10,111,347
Improvements other than buildings ¹	10,556,470	-	-	10,556,470
Equipment	9,299,904	1,244,534	89,119	10,455,319
Infrastructure ¹	131,549,347	56,873	-	131,606,220
Total capital assets, being depreciated	161,467,368	1,351,107	89,119	162,729,356
Less accumulated depreciation for:				
Buildings	6,117,270	334,679	-	6,451,949
Improvements other than buildings	7,404,642	167,172	-	7,571,814
Equipment	6,567,310	590,884	55,138	7,103,056
Infrastructure	23,974,517	3,485,407	-	27,459,924
Total accumulated depreciation	44,063,739	4,578,142	55,138	48,586,743
Total capital assets being depreciated, net	117,403,629	(3,227,035)	33,981	114,142,613
Government activities capital assets, net	\$ 131,143,307	\$ 1,269,702	\$ 140,555	\$ 132,272,454

¹ Beginning balances were restated for reclassification from Infrastructure to Improvements for capital asset (wash racks) in the amount of \$328,446.

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 19,109,241	\$ -	\$ -	\$ 19,109,241
Construction in progress	2,086,800	230,680	2,184,167	133,313
Total capital assets, not being depreciated	21,196,041	230,680	2,184,167	19,242,554
Capital assets, being depreciated:				
Buildings	7,288,308	-	-	7,288,308
Improvements other than buildings	79,326,689	2,184,167	-	81,510,856
Equipment	1,312,480	520,350	10,526	1,822,304
Total capital assets, being depreciated	87,927,477	2,704,517	10,526	90,621,468
Less accumulated depreciation for:				
Buildings	6,100,896	119,042	-	6,219,938
Improvements other than buildings	52,715,079	2,626,342	-	55,341,421
Equipment	980,199	124,555	6,073	1,098,681
Total accumulated depreciation	59,796,174	2,869,939	6,073	62,660,040
Total capital assets, being depreciated, net	28,131,303	(165,422)	4,453	27,961,428
Business-type activities capital assets, net	\$ 49,327,344	\$ 65,258	\$ 2,188,620	\$ 47,203,982

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Depreciation expense for the year ended June 30, 2005 was charged to the following government functions:

Government Activities -	
Flood and drainage protection	<u>\$ 4,573,381</u>
Business-type activities:	
Marinas	\$ 1,579,510
Airport	<u>1,290,431</u>
Total depreciation expense - business-type activities	<u>\$ 2,869,941</u>

6. RETIREMENT SYSTEM

Substantially all employees of the District are members of the Louisiana State Employees Retirement System (System), a cost sharing, multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate Board of trustees.

All full-time District employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the District is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

June 30, 2005, was at 17.8% of annual covered payroll, increased from 15.8% and 14.1% required in fiscal years ended June 30, 2004, and 2003 respectively. The District contributions to the System for the years ending June 30, 2005, 2004, and 2003, were \$1,243,463, \$1,087,393, and \$933,684, respectively, equal to the required contributions for each year.

7. WORKERS' COMPENSATION INSURANCE PROGRAM

Effective July 1, 1998, the District discontinued its workers' compensation self-insurance plan and obtained conventional coverage from the Louisiana Workers' Compensation Corporation. All open claims as of June 30, 1998 have been paid from the self-insurance plan. At June 30, 2005, all claims have been closed. However, all eligible medical expenses will continue to be paid until finalized. The total cost of eligible run over claims for the 2005 fiscal year was \$707. The District has a designation of fund balance in the General Fund for the self-insured workers' compensation plan of \$100,000 (Note 15) at June 30, 2005.

For fiscal year 2005, the District continued its workers' compensation coverage with the Louisiana Workers' Compensation Corporation for a one-year period. This workers' compensation program is a conventional plan. For the fiscal year ended June 30, 2005, the District paid a total premium of \$464,212 to the Louisiana Workers' Compensation Corporation. The standard premium was based on loss experience and projected annual payroll of \$8,690,293.

**8. POSTEMPLOYMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

Substantially all District employees become eligible for postemployment health care, dental, and life insurance benefits if they reach normal retirement age while working for the District. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the District. Benefits are expensed as paid. For 2005, the cost of providing those benefits for the 92 retirees totaled \$421,684.

ORLEANS LEVEE DISTRICT**STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

9. COMPENSATED ABSENCES

As of June 30, 2005, employees of the District have accumulated and vested \$1,068,892 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The current portion estimated to be paid within the next fiscal year is \$31,392 for governmental activities and \$3,741 for business-type activities. The noncurrent amount of \$899,155 is recorded for governmental activities and \$134,604 for business-type activities.

10. LESSOR OPERATING LEASES

The Orleans Levee District leases boat slips, boathouses, and building space to certain parties under operating leases. At June 30, 2005, the total cost of the land, buildings, and improvements leased to others by both the General Fund and Enterprise Funds totals \$110,337,689, with \$62,837,343 of related accumulated depreciation. Future minimum rental payments to be received under these operating leases are as follows:

Fiscal year ending June 30:	
2006	\$ 4,958,705
2007	3,511,281
2008	3,247,929
2009	3,170,484
2010	2,723,306
2011-2015	<u>7,798,309</u>
Total	<u>\$ 25,410,014</u>

11. RESTRICTED ASSETS

Restricted assets at June 30, 2005, shown on Statement A, amounted to \$3,578,576, \$2,466,861 in governmental activities and \$1,111,715 in business-type activities. Restricted assets in governmental activities consist of \$2,010,671 of cash with fiscal agents within the Debt Service Fund, and \$456,190 of funds set aside for Bohemia settlement payments within the General Fund. All funds in business-type activities consist of cash with fiscal agents for the South Shore Harbor Marina Fund.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

12. PAYABLES

At June 30, 2005, the District has payables totaling \$1,258,536 as follows:

Class of Payables	Governmental Funds		Total Governmental Payables	Total Business-type Payables	Total
	General	Capital Projects			
Accounts payable	\$ 747,534	\$ 15,242	\$ 762,776	\$ 150,969	\$ 913,745
Salaries payable	265,834	-	265,834	29,457	295,291
Payroll deductions and employer's payable	43,811	-	43,811	5,689	49,500
Total	<u>\$1,057,179</u>	<u>\$ 15,242</u>	<u>\$ 1,072,421</u>	<u>\$ 186,115</u>	<u>\$1,258,536</u>

13. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2005:

	Long-Term Obligations Payable at July 1, 2004	Additions	Deductions Long-Term Retirement	Long-Term Obligations Payable at June 30, 2005	Due Within One Year
Governmental activities:					
Levee Improvement:					
Fixed Rate Refunding Bonds, Series 1986	\$ 41,560,000	\$ -	\$ (2,565,000)	\$ 38,995,000	\$ 2,755,000
Variable Rate Refunding Bonds, Series 1996	4,755,000	-	(315,000)	4,440,000	335,000
Total general obligation bonds payable	46,315,000	-	(2,880,000)	43,435,000	3,090,000
Compensated absences	883,528	\$ 47,018	-	930,546	31,392
Judgments	19,721,208	3,361,975	(350,000)	22,733,183	-
Governmental activity long-term liabilities	<u>\$ 66,919,736</u>	<u>\$ 3,408,993</u>	<u>\$ (3,230,000)</u>	<u>\$ 67,098,729</u>	<u>\$ 3,121,392</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

	Long-Term Obligations Payable at July 1, 2004	Additions	Deductions and Retirement	Long-Term Obligations Payable at June 30, 2005	Due Within One Year
Business-type activities:					
Public Improvement:					
Fixed Rate Refunding Bonds, Series 1986	\$ 26,010,000	\$ -	\$ (1,455,000)	\$ 24,555,000	\$ 1,560,000
Variable Rate Refunding Bonds, Series 1996	2,020,000	-	(120,000)	1,900,000	125,000
Total business-type activity bonds	28,030,000	-	(1,575,000)	26,455,000	1,685,000
Less:					
Unamortized discounts	(228,942)	-	(20,812)	(208,130)	-
Unamortized loss on refunding	(45,912)	-	(6,885)	(39,027)	-
Total business-type activity bonds payable	27,755,146	-	(1,547,303)	26,207,843	1,685,000
Compensated absences	122,758	15,588	-	138,346	3,741
Business-type activity long-term liabilities	\$ 27,877,904	\$ 15,588	\$ (1,547,303)	\$ 26,346,189	\$ 1,688,741

The additions and reductions to compensated absences during the 2004-2005 fiscal year represent the net change during the year because the additions and deductions could not readily be determined.

General obligation bonds, demand bonds, and refunding bonds are comprised of the following individual issues:

**A. LEVEE IMPROVEMENT FIXED
RATE BONDS, SERIES 1986**

On August 28, 1986, the District issued \$64,920,000 in Levee Improvement Variable Rate Demand Bonds, which were issued to advance refund \$53,111,097 of outstanding Levee Improvement Refunding Bonds, Series 1985. On December 1, 1995, the District converted \$56,780,000 of the Levee Improvement Variable Rate Demand Bonds to a fixed interest rate of 5.95%. Levee Improvement Fixed Rate Refunding Bonds payable at the beginning of the year were \$41,560,000. Payments of \$2,565,000 reduced this amount to \$38,995,000 at June 30, 2005. The Levee Improvement Fixed Rate Refunding Bonds, Series 1986, are secured by the 6.55 mill ad valorem tax and the scheduled payment of principal and interest are guaranteed under insurance policies issued by Financial Security Assurance, Inc. The interest to maturity amounts to \$12,980,966 at a rate of 5.95% through November 1, 2014. The bonds are due in future annual installments of \$2,755,000

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

to \$5,295,000, beginning November 1, 2005, through November 1, 2014.

**B. LEVEE IMPROVEMENT VARIABLE RATE
REFUNDING BONDS, SERIES 1996**

On October 29, 1996, the District issued \$6,775,000 in Levee Improvement Variable Rate Refunding Bonds, Series 1996. The proceeds of this issue, along with other funds, were used to current refund the remaining Levee Improvement Fixed Rate Refunding Bonds, Series 1987 on November 1, 1996. The Levee Improvement Variable Rate Refunding Bonds payable at the beginning of the year were \$4,755,000. Payments of \$315,000 reduced the amount to \$4,440,000 at June 30, 2005. The Levee Improvement Variable Rate Refunding Bonds, Series 1996, are secured by the 6.55 mill ad valorem tax, ranking equally and enjoying complete parity of lien with the Levee Improvement Fixed Rate Bonds, Series 1986. These bonds are due in future annual installments of \$335,000 to \$575,000 beginning November 1, 2005, through November 1, 2014. The bonds, which have a maximum rate of 14%, carried an initial rate of interest of 5.4% through November 1, 2003. The interest rate for the second period was reset to 2.54% on November 1, 2003. The interest rate will be reset for the third period on November 1, 2010, based on the same formula that yielded 5.4% for the initial period. The interest to maturity, calculated using 2.54% as reset on November 1, 2003, and an assumed rate of 5.5% for the third period, amounts to \$780,044 through November 1, 2014.

**C. PUBLIC IMPROVEMENT FIXED RATE
BONDS, SERIES 1986**

On August 29, 1986, the District issued \$36,225,000 in Public Improvement Variable Rate Demand Bonds, which were issued to advance refund \$29,320,000 of outstanding Marina Refunding Bonds, Series 1985. On December 1, 1995, the District converted \$34,780,000 of the Public Improvement Variable Rate Demand Bonds to a fixed interest rate of 5.95%. Public Improvement Fixed Rate Refunding Bonds payable at the beginning of the year were

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

\$26,010,000. Payments of \$1,455,000 reduced this amount to \$24,555,000 at June 30, 2005. The Public Improvement Fixed Rate Bonds, Series 1986, are secured by the 5.46 mill ad valorem tax, and the scheduled payment of principal and interest are guaranteed under insurance policies issued by Financial Security Assurance, Inc. The interest to maturity amounts to \$9,014,696 at a rate of 5.95% through November 1, 2015. The bonds are due in future annual installments of \$1,560,000 to \$3,065,000, from November 1, 2005, through November 1, 2015.

**D. PUBLIC IMPROVEMENT VARIABLE RATE
REFUNDING BONDS, SERIES 1996**

On October 29, 1996, the District issued \$2,795,000 in Public Improvement Variable Rate Refunding Bonds. The proceeds of this issue, along with other funds, were used to currently refund the remaining Public Improvement Fixed Rate Refunding Bonds, Series 1987, on November 1, 1996. Public Improvement Variable Rate Refunding Bonds payable at the beginning of the year were \$2,020,000. Payments of \$120,000 reduced the amount to \$1,900,000 at June 30, 2005. The Public Improvement Variable Rate Refunding Bonds, Series 1996, are secured by the 5.46 mill ad valorem tax, ranking equally and enjoying complete parity of lien with the Public Improvement Fixed Rate Bonds, Series 1986. These bonds are due in future annual installments of \$125,000 to \$230,000 beginning November 1, 2005, through November 1, 2015. The bonds, which have a maximum rate of 14%, carried an initial rate of interest of 5.4% through November 1, 2003. The interest rate for the second period was reset to 2.54% on November 1, 2003. The interest rate will be reset for the third period on November 1, 2010, based on the same formula that yielded 5.4% for the initial period. The interest to maturity, calculated using 2.54% as reset on November 1, 2003, and an assumed rate of 5.5% for the third period, amounts to \$388,662 through November 1, 2015.

ORLEANS LEVEE DISTRICT**STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Debt service requirements on long-term debt at June 30, 2005, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	Principal Payments	Interest Payments	Total
2006	\$ 3,090,000	\$ 2,346,763	\$ 5,436,763
2007	3,310,000	2,168,128	5,478,128
2008	3,555,000	1,976,341	5,531,341
2009	3,810,000	1,770,360	5,580,360
2010	4,110,000	1,548,721	5,658,721
2011-2015	25,560,000	3,950,702	29,510,702
Total	<u>\$ 43,435,000</u>	<u>\$ 13,761,015</u>	<u>\$ 57,196,015</u>

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>		
	Principal Payments	Interest Payments	Total
2006	\$ 1,685,000	\$ 1,461,286	\$ 3,146,286
2007	1,800,000	1,362,040	3,162,040
2008	1,920,000	1,256,058	3,176,058
2009	2,055,000	1,142,746	3,197,746
2010	2,200,000	1,021,446	3,221,446
2011-2015	13,500,000	3,062,278	16,562,278
2016	3,295,000	97,509	3,392,509
Total	<u>\$ 26,455,000</u>	<u>\$ 9,403,363</u>	<u>\$ 35,858,363</u>

ORLEANS LEVEE DISTRICT**STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

14. FUND BALANCE RESERVED

The following is a summary of fund balance reserves at June 30, 2005:

	General Fund	Debt Service Fund	General Improvement Fund	Special Levee Improvement Fund	Total
Reserved for:					
Encumbrances	\$ 160,279	\$ -	\$ 62,883	\$ 1,449,336	\$ 1,672,498
Debt Service	-	2,010,671	-	-	2,010,671
Bohemia Spillway Escrow	456,190	-	-	-	456,190
Total	<u>\$ 616,469</u>	<u>\$ 2,010,671</u>	<u>\$ 62,883</u>	<u>\$ 1,449,336</u>	<u>\$ 4,139,359</u>

15. FUND BALANCE - UNRESERVED - DESIGNATED

The Orleans Levee District has designated a portion of its General Fund balance for future expenditures. A description of these designations follows:

Major construction equipment replacement - funds set aside for the purchase of equipment.

Air conditioning unit replacement - funds set aside for replacement of air conditioning unit.

Hurricane cleanup and recovery - funds set aside for the cleanup of hurricane damages to District property.

Workers' compensation - funds set aside for workers' compensation claims as part of the Orleans Levee District self-insurance plan. See Note 7.

Capital assets - funds set aside for purchase of capital assets.

ORLEANS LEVEE DISTRICT**STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

A summary of the designations for the year ended June 30, 2005, follows:

Major construction equipment replacement	\$ 16,971
Air conditioning unit replacement	18,239
Hurricane cleanup and recovery	100,000
Workers' compensation	100,000
Capital assets	<u>156,356</u>
Total	<u>\$ 391,566</u>

16. DUE FROM/TO OTHER FUNDS

The balances of due from/to other funds detailed by individual fund at June 30, 2005, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund:		
Capital Project Funds:		
Special Levee Improvement	<u>\$ -</u>	<u>\$ 390,476</u>
Total	<u>-</u>	<u>390,476</u>
Capital Projects Funds:		
Special Levee Improvement - General Fund	<u>390,476</u>	<u>-</u>
Total	<u>390,476</u>	<u>-</u>
Total Governmental Funds Due From/To Other Funds	<u>390,476</u>	<u>390,476</u>
Total Enterprise Funds Due From/To Other Funds	<u>-</u>	<u>-</u>
Total Due From/To Other Funds	<u>\$ 390,476</u>	<u>\$ 390,476</u>

The interfund due from/to other funds results from the cash management system used by the District where all cash transactions are initially recorded in the General Fund. As a result, all transactions other than income received for the SLIP Fund flow through the cash accounts of the General Fund. This practice has been in place since 1984, when the various funds were initially created for fund accounting reporting purposes.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

These amounts have become significant over time and do not accurately represent receivables and payables as generally understood, because there is no current plan for repayment to the various funds for settlement of these accounts. The District has, therefore, recorded transfers among the various funds that have the effect of eliminating these interfund balances. The balance between the General Fund and the SLIP Fund is not being adjusted at this time.

These transactions effect reported net assets of the individual funds of the District, but have no cash impact and no effect on the financial condition of the District taken as a whole. In the future these balances will be converted by transfers on a more frequent basis.

The amounts of transfers recorded for the due from/to accounts as referenced above are as follows:

General Fund Due to General Improvement Fund (transfer in)	\$ 2,024,779
General Fund Due to Orleans Mariana (transfer in)	\$ 5,132,796
General Fund Due to South Shore Harbor (transfer in)	\$ 9,887,222
General Fund Due from Lakefront Airport (transfer out)	\$13,979,272
General Improvement Fund Due from General Fund (transfer out)	\$ 2,024,779
Orleans Marina Due from General Fund (transfer out)	\$ 5,132,796
South Shore Harbor due from General Fund (transfer out)	\$ 9,887,222
Lakefront Airport Due to General Fund (transfer in)	\$13,979,272

17. LITIGATION AND CLAIMS

Numerous lawsuits have been filed by individuals and acts have been passed by the Louisiana Legislature concerning the return of certain expropriated properties in the Bohemia Spillway and the payment of royalties and rents derived from these properties to the original owners of the properties. Act 233 of 1984, as amended by Acts 819 of 1985, 847 of 1992, 1364 of 1997, and 1378 of 1999, requires the Board of Commissioners of the Orleans Levee District upon receipt of the names of certified claimants from the Secretary of the Louisiana Department of Natural Resources (DNR) to return the ownership of properties in the Bohemia Spillway in the parish of Plaquemines to the owners or their successors from whom the property was acquired by expropriation or by purchase under threat of expropriation. At this date, the District is maintaining a complete accounting of all royalty revenues received as required by the act.

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STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Before the effective date of Act 1364 of 1997 and 1378 of 1999, DNR certified claimants who had an interest in 164 of 220 tracts of land in the Bohemia Spillway for the return of the property. All property claims certified by DNR as of October 1, 2002 have been returned. All claims certified as of June 30, 2005, have been conveyed. Upon the return of the property, the District is required to return the royalties, et cetera, collected since June 29, 1984, until the date of transfer.

Judgment was rendered in Haspel & Davis v. Board of Commissioners of the Orleans Levee District, Case No. 31-357, in favor of the plaintiffs awarding the sum of \$18,767,145, plus interest from the date of judicial demand until paid, for the sum of revenues paid to the District of its share of royalties under mineral leases in the Bohemia Spillway. A number of payments have been made since 2001 as reflected in previous years. On February 26, 2004, a payment in the full sum of \$600,000 was paid into the registry of the Court in the Haspel & Davis class action. The Court accepted the payment as being current on the settlement agreement amortization plan. The class members in Haspel & Davis have agreed to accept \$10,076,559.47 to settle the case. If the Board can secure financing and appropriate the funds therefore, this liability will be eliminated. In the matter of Lemona H. Chandler, Administratrix of the succession of Henry Taylor, Jr. v. in the matter of: The Board of Commissioners of the Orleans Levee District, docket #47-842, CDC New Orleans, the District paid the full sum of \$314,491.59. A remaining balance of \$166,842.53 in special interest and attorney fees awarded by the Court is presently on appeal to the 4th Circuit. All judgments in the Bohemia Spillway matter will be paid if and when funds become available, and when funds are appropriated therefore.

At June 30, 2005, the District is a defendant or co-defendant in 28 lawsuits claiming damages, possession of property, or contract disputes. In addition, the District is involved in several civil service actions. The District's legal counsel has reviewed all claims and lawsuits to evaluate the likelihood of an unfavorable outcome to the District and has attempted to arrive at an estimate of the amount of potential loss. For the lawsuits involving claims or damages not related to the Bohemia Spillway, the District's legal counsel does not anticipate that potential losses resulting from these lawsuits will have a significant adverse effect on the financial position of the District.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

As reflected in Statement D, expenditures for litigation payments totaled \$389,265 for the year ended June 30, 2005.

At June 30, 2005, liabilities associated with claims and judgments total \$22,733,183 as shown on Statement A.

18. LEVEE DISTRICT TAXES

Article 6, Section 39 of the 1974 Louisiana Constitution provides that the District may levy an annual tax not to exceed 5.46 mills to construct and maintain levees, levee drainage, flood protection, hurricane flood protection, and all other purposes incidental thereto. If the District needs to raise additional funds in excess of the amount authorized by the constitution, the taxes in excess of 5.46 mills must be approved by a majority vote of the electors of Orleans Parish.

By general election held in the City of New Orleans on November 19, 1983, the voters of the parish of Orleans elected to continue a 6.55 mill ad valorem tax on assessed property for a period of 30 years (1985-2015) to finance hurricane and flood protection projects and to fund the retirement of levee improvement bonds. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>
Parish-wide taxes:		
Constitutional	5.46	5.46
Levee improvements	6.55	6.55
General maintenance	0.75	0.75

The rates authorized and levied have been adjusted because of reassessment of property as provided in Article 7, Section 23 of the 1974 Louisiana Constitution. By a special election held with the district on March 5, 1974, the voters of the parish of Orleans elected to authorize a "General Maintenance" tax to finance the general maintenance expenditures of the Orleans Levee District, at the rate of three quarters (3/4) of a mill to begin in 1986, and continue thereafter. By a vote on a resolution on December 1, 1999, the Orleans Levee Board voted to reaffirm the .75 millage pursuant to Article 7, Section 23 (B) of the Constitution of 1974.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

At June 30, 2005, approximately \$790,062 of property taxes has been paid under protest and is, therefore, not recorded in the financial statements. The resolution of these protests is not determinable at this time.

19. FEDERAL GRANTS

The Orleans Levee District participates in a number of federally-assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. The District believes that the amount of disallowances, if any, which may arise from future audits, will not be material.

20. OPERATING TRANSFERS IN/OUT

The following is a summary of the operating transfers in and out for the year ended June 30, 2005:

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund:		
Capital Project Funds:		
General Improvement	\$ 2,024,778 ¹	\$ 1,029,711
Special Levee Improvement	3,225,000	-
Enterprise Funds:		
Orleans Marina	5,132,796 ¹	185,000
South Shore Harbor Marina	9,887,222 ¹	121,176
New Orleans Lakefront Airport	-	14,288,145 ¹
Total General Fund Transfers	<u>20,269,796</u>	<u>15,624,032</u>
Debt Service Fund:		
Special Levee Improvement	5,498,288	-
Total Debt Service Fund Transfers	<u>5,498,288</u>	<u>-</u>
General Improvement:		
General Fund	1,029,711	2,024,778 ¹
Enterprise Funds:		
Orleans Marina	-	449,118
South Shore Harbor Marina	-	130,450
New Orleans Lakefront Airport	-	221,345
Special Levee Improvement:		
General Fund	-	3,225,000
Debt Service Fund	-	5,498,288
Total Capital Projects Fund Transfers	<u>1,029,711</u>	<u>11,548,979</u>
Total Governmental Fund Transfers	<u>26,797,795</u>	<u>27,173,011</u>
Proprietary Funds:		
Orleans Marina:		
General Fund	185,000	5,132,796
General Improvement	449,118	-
South Shore Harbor Marina	-	22,824
South Shore Harbor Marina:		
General Fund	121,176	9,887,222
General Improvement	130,450	-
Orleans Marina	22,824	-
Lakefront Airport:		
General Fund	14,288,145	-
General Improvement	221,345	-
Total Proprietary Fund Transfers	<u>15,418,058</u>	<u>15,042,842</u>
Total Transfers	<u>\$ 42,215,853</u>	<u>\$ 42,215,853</u>

¹ Please see Note 16 for a full explanation of these transfers.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

21. IN-KIND CONTRIBUTIONS

The United States Army Corps of Engineers (USACE) and the districts in southeastern Louisiana, including Orleans Levee District, participate in several joint flood protection projects relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan). Under the High Level Plan, the District has expended bond and ad valorem tax funds over (approximately) the last 20 years for USACE qualified projects and earned credits for such expenditures to be applied against future flood protection projects.

The United States Congress has approved projects totaling \$744,000,000 for the 300-year Lake Pontchartrain and Vicinity Hurricane Protection Plan. The estimated amount per the USACE for Orleans Parish is \$410,880,000. The USACE will expend 70% and the Orleans Levee District will expend 30%. The estimated expenditures at June 30, 2005, are \$265,300,000 for the USACE. The 30% participation by the Orleans Levee District will not cause direct cash outflows. Three major projects on the High Level Plan are ongoing in Orleans Parish: London Avenue Canal pump station and bridge, Orleans Avenue Canal pump station, and the 17th Street Canal bridge. It is anticipated that the entire High Level Plan will be completed by 2011.

22. PROPOSED LEASE OF AIRPORT

On March 27, 2002, by Resolution No. S1-032702, the Board approved the Agreement for the Lease, Management, Operation, Commercial Enhancement and Development of the New Orleans Lakefront Airport between the Board of Commissioners of the Orleans Levee District and American Airports Lakefront, LLC. The Board also authorized the President of the Board of Commissioners of the Orleans Levee District to sign and file with the Federal Aviation Administration (FAA) the Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport. The Final Application for Exemptions under the Federal Airport Privatization Pilot Program Lakefront Airport was submitted to the FAA on April 30, 2002.

In January 2005, as a condition for approval, the FAA demanded that the District provide a financial guarantee for any federal grants sought by the prospective private operator. The Board refused that request and has

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

asked the courts to determine if the agreement is still binding. American Airports Lakefront, LLC has filed suit seeking damages. The FAA has stated that it could not move forward with the application unless a grant guarantee is in place, but it would be willing to reject the application if either the Board or American Airports Lakefront, LLC withdraws from the process.

23. SUBSEQUENT EVENTS

- A. In a Board meeting held on August 18, 2004, the Board adopted a resolution authorizing the sale on a forward delivery basis of Orleans Levee District Levee Improvement Bonds, Series 2005 (the bonds). On September 3, 2004, the District executed a Forward Delivery Bond Purchase Agreement for the sale of \$36,300,000 principal amount of the bonds. The agreement provided for delivery of the bonds and funds transfer on September 8, 2005 for the purpose of refunding the \$36,240,000 then outstanding balance of the District's Levee Improvement Bonds, Series 1986. Due to Hurricane Katrina on August 29, 2005, this transaction has been postponed indefinitely.
- B. In a Board meeting held on August 17, 2005, the Board adopted a resolution authorizing the issuance of debt in an amount not exceeding \$11,200,000 to be represented by one or more of notes, certificates of indebtedness, drawdown bond facility or bonds for the settlement of the judgment rendered in Bohemia litigation; applying to the State Bond Commission; and providing for other matters in connections with the foregoing. The issuance of these bonds has been postponed due to Hurricane Katrina on August 29, 2005.
- C. The Orleans Levee District has been adversely affected by Hurricane Katrina which occurred on August 29, 2005. The District is currently assessing the impact of the hurricane, but damage to the City of New Orleans and to the District's assets, as discussed below, will have a negative effect on revenue, including ad valorem taxes.

There was relatively minor damage to the District's Franklin Avenue Facility, and the field forces are currently working from

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

this location. Upon repair, those administrative offices located at the Franklin Avenue Facility can resume occupancy. Additionally, there was minimal damage to Orleans Marina, and it is anticipated that the marina will be fully operational by the end of this year. South Shore Harbor and Lakefront Airport sustained substantial damage from Hurricane Katrina. The impact of this damage cannot be fully known at this time.

The District has been served with lawsuits related to Hurricane Katrina. An estimate of the possible loss or range of loss resulting from these lawsuits cannot be made at this time.

The District believes that the disruption in operations will not affect its ability to make timely debt payments, and believes it will continue as an ongoing business.

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
For the Year Ended June 30, 2005**

PER DIEM PAID BOARD MEMBERS

Schedule 1, which presents the per diem paid Board members, was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Per Diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the personal services expenditures of the General Fund. Board members are paid \$75 per day, to a maximum of 36 days per year, for Board meetings and official business. During the period of an emergency as declared and determined by the governor, the District shall be authorized to hold as many meetings or emergency activities as the Board deems necessary, and the members shall be paid per diem for such meetings and activities.

**ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR,
DIVISION OF ADMINISTRATION,
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY**

Schedule 2 contains the annual fiscal report, which presents the financial position of the Orleans Levee District, as of June 30, 2005, and the results of its operations for the year then ended. This report contains information in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Financial Report.

SCHEDULE 1

Schedule of Per Diem Paid Board Members

Schedule 1

Schedule of Per Diem Paid Board Members For the Year Ended June 30, 2005 (With Comparative Totals for the Year Ended June 30, 2004)

	<u>JUNE 30,</u>	
	<u>2005</u>	<u>2004</u>
Allen H. Borne, Jr. (appointed effective October 21, 2004)	\$ 1,275	\$ -
Thomas B. Coleman (resigned effective October 21, 2004)	-	-
Dan S. Foley (appointed effective October 21, 2004)	975	-
Eugene J. Green, Jr. (appointed effective October 21, 2004)	1,275	-
Patricia W. Harris (resigned effective October 21, 2004)	525	1,350
James P. Huey, President	2,100	1,500
Victor A. Landry (resigned effective October 21, 2004)	675	2,700
James E. Livingston (resigned effective July 9, 2004)	-	-
Robert E. Smith Lupo (resigned effective October 21, 2004)	-	-
Michael P. McCrossen, Vice President (appointed effective October 21, 2004)	1,575	-
Charles L. Rice, Jr.	900	975
Darrel J. Saizan, Jr. (appointed effective October 21, 2004)	1,275	-
Cynthia Willard-Lewis	<u>1,200</u>	<u>750</u>
Total	<u>\$ 11,775</u>	<u>\$ 7,275</u>

SCHEDULE 2

Annual Fiscal Report to the Office of the Governor,
Division of Administration, Office of Statewide
Reporting and Accounting Policy,
as of and for the Year Ended
June 30, 2005

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Annual Fiscal Report
June 30, 2005

C O N T E N T S

AFFIDAVIT

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MD&A

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STATE OF LOUISIANA
Annual Financial Statement
Fiscal Year Ending June 30, 2005

BOARD OF COMMISSIONERS OF THE ORLEANS LEVEE DISTRICT

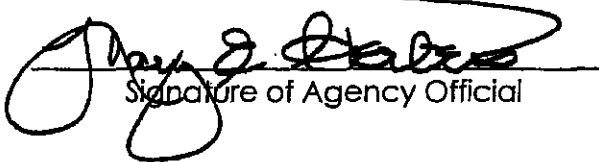
Division of Administration
Office of Statewide Reporting
and Accounting Policy
Post Office Box 94095
Baton Rouge, Louisiana 70804-9095

Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9095

AFFIDAVIT

Personally came and appeared before the undersigned authority, Mary E. Herbert, Comptroller of the Board of Commissioners of the Orleans Levee District who duly sworn, deposes and says, that the financial statements herewith given, present fairly the financial position of the Board of Commissioners of the Orleans Levee District at June 30, 2005 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board.

Sworn and subscribed before me this 3 day of October, 2005.


Signature of Agency Official


NOTARY PUBLIC

Prepared by: Mary E. Herbert, CPA, CGFM

Title: Comptroller

Telephone No.: (504) 782-0699

Date: October 3, 2005

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis
As of June 30, 2005**

The Management's Discussion and Analysis of the Orleans Levee District's financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts.

Financial Highlights

- The assets of the Orleans Levee District exceeded its liabilities at the close of fiscal year 2005 by \$123,887,302 (net assets), which represents a 3.09% increase from last fiscal year.
- The District's total net assets increased by \$3,710,134. Of this amount, \$1,700,000 flowed directly from the donation of lakefront property to the District. Another reason for this increase is that charges for services, et cetera, were greater than the cost of operations and debt service.

Overview of the Financial Statements

The minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments consists of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

The basic financial statements present information for the Orleans Levee District as a whole. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page v) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Orleans Levee District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page vi) presents information showing how the Orleans Levee District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flow (page viii) presents information showing how the Orleans Levee District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income(loss) to net cash provided(used) by operating activities (indirect method) as required by GASB Statement No. 34.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis
As of June 30, 2005

Financial Analysis of the Orleans Levee District

Net Assets		
	<u>FY 2005</u>	<u>FY 2004</u>
Current and other assets	\$ 41,676,277	\$ 38,109,261
Capital assets	179,476,436	180,470,651
Total assets	<u>\$ 221,152,713</u>	<u>\$ 218,579,912</u>
Long-term liabilities outstanding	\$ 89,564,948	\$ 91,188,139
Other liabilities	7,700,463	7,214,605
Total liabilities	<u>\$ 97,265,411</u>	<u>\$ 98,402,744</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 109,833,591	\$ 106,400,505
Restricted	3,578,576	3,175,059
Unrestricted	10,475,135	10,601,604
Total net assets	<u>\$ 123,887,302</u>	<u>\$ 120,177,168</u>

The District's total net assets increased by \$3,710,134. Of this amount, \$1,700,000 flowed directly from the donation of lakefront property to the District. Another reason for this increase is that charges for services, et cetera, were greater than the cost of operations and debt service.

Statement of Revenues, Expenses, and Changes in Net Assets		
	<u>FY 2005</u>	<u>FY 2004</u>
Operating revenues	\$ 17,476,056	\$ 14,476,297
Operating expenses	(35,637,057)	(32,673,099)
Operating loss	<u>(18,161,001)</u>	<u>(18,196,802)</u>
Non-operating revenues (expenses)	18,710,376	19,607,601
Capital grants	1,415,751	-
Capital contributions	1,745,008	1,495
Net increase (decrease) in net assets	<u>\$ 3,710,134</u>	<u>\$ 1,412,294</u>

The operating loss decreased by 0.20%. While operating revenues increased by \$2,999,759 (20.72%), which is attributable to an increase in charges for services of \$1,874,405 (14.15%) and miscellaneous revenues of \$1,125,355 (91.8%), operating expenses rose 9.07% or \$2,963,958. The most significant increases in operating expenses occurred in the areas of salaries and related benefits (\$997,876), and aviation fuel expense (\$1,797,188). Non-operating revenues (expenses), capital grants and capital contributions increased by \$2,350,088. This increase is attributable almost entirely to increases in capital contributions (\$1,743,513) and grant revenue (\$1,415,751). Other significant increase in revenues and expenses are tax revenues (\$1,039,950) and litigation costs (\$1,721,100).

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis
As of June 30, 2005

Capital Asset and Debt Administration

Capital assets. The Orleans Levee District's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$179,476,436 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, and equipment. The total decrease in the Orleans Levee District's investments in capital assets for the current fiscal year was 0.55%.

Capital Assets (Net of Depreciation)		
	FY 2005	FY 2004
Land	\$ 33,383,989	\$ 31,683,989
Buildings	4,727,768	5,131,789
Improvements other than buildings	29,154,091	29,763,438
Movable property	4,075,886	3,064,875
Infrastructure	104,146,296	107,574,830
Construction in progress	3,988,406	3,251,730
Total	<u>\$ 179,476,436</u>	<u>\$ 180,470,651</u>

- Major capital asset events during the current fiscal year included the following:
- Donation of 12.6 acres of land along the lakefront, which was valued at \$1,700,000
- Donation of surf rake valued at \$35,000 for beach clean-up
- Completion of rebuilding the Lakeshore Drive bridge that crosses Orleans Avenue canal
- Rebuilding of Mardi Gras fountain and Lakeshore Drive drainage and roadway improvements
- Reconstruction of promenade at South Shore Harbor Marina with the addition of sheet piling to assist in deterring erosion
- Acquisition of new radio system for flood protection and police divisions
- Addition of office space at the West Bank Levee Maintenance Facility
- Acquisition of new fire truck at Lakefront Airport

Debt. At the end of the current fiscal year, the Orleans Levee District had total bonded debt outstanding of \$69,890,000. The debt of the District is payable from the avails of the two limited ad valorem taxes: the tax authorized by Article 6, Section 39A of the Louisiana Constitution and the special levee improvement tax authorized by the election of November 1983.

Outstanding Debt		
	FY 2005	FY 2004
Public improvement bonds	\$ 26,455,000	28,030,000
Levee improvement bonds	43,435,000	46,315,000
Total	<u>\$ 69,890,000</u>	<u>\$ 74,345,000</u>

The Orleans Levee District has judgments of \$22,733,183 outstanding at year-end compared with \$19,721,208, last year, as restated. Other obligations include accrued annual and compensatory leave.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis
As of June 30, 2005**

Variations between Budgeted and Actual

Operating revenues were \$370,136 (2.16%) over budget and operating expenses were \$1,306,429 (3.81%) over budget. Cost of services was \$6,136,893 less than budget, of which capital expenses accounts for \$5,574,135. Of this amount, \$3,991,501 was capitalized and the remainder unspent. Other categories where actual was less than budgeted included personal services (\$205,572), contractual services (\$443,736), and materials and supplies other than aviation fuel (\$32,154). Both principal and interest payments are budgeted, while actual debt service reports only interest expense, which results in debt service being less than budgeted by \$4,708,105. Offsetting these favorable budget variances is \$7,443,322 of depreciation, which is not budgeted.

Economic Factors and Next Year's Budgets and Rates

The Board of Commissioners of the Orleans Levee District considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Minimal growth in assessed values of property subject to ad valorem taxes,
- Expectation of low inflation and low interest rates on the District's investments, and
- Continued pressure on expenses from the rising costs of petroleum and insurance.

The Orleans Levee District does not envision any substantive change in the economic environment or its operations. It therefore, prepared the budget using existing revenue and cost parameters. Given the constraints the District faces in raising revenue, it is expected that next year's results will not change significantly.

Contacting the Orleans Levee District's Management

This financial report is designed to provide a general overview of the Orleans Levee District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Commissioners of the Orleans Levee District, Finance Department, Suite 219, 6001 Stars & Stripes Boulevard, New Orleans, Louisiana 70126.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Statement of Net Assets
As of June 30, 2005

ASSETS

Current assets:

Cash and cash equivalents (note C1)	\$ 25,963,043
Investments (note C2)	8,711,028
Receivables (note U)	2,202,759
Inventory	737,307
Other assets	107,564
Restricted assets (note F)	3,578,576
Deferred charges	376,000
Total current assets	<u>41,676,277</u>

Noncurrent assets:

Capital assets (net of depreciation) (note D)	
Land	33,383,989
Buildings	4,727,768
Improvements other than buildings	29,154,091
Movable property	4,075,886
Infrastructure	104,146,296
Construction in progress	3,988,406
Total noncurrent assets	<u>179,476,436</u>
TOTAL ASSETS	<u>\$ 221,152,713</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Payables (note V)	\$ 1,258,536
Contracts payable	269,549
Deferred revenues	702,227
Accrued compensated absences (note K)	35,133
Other liabilities	2,975
Bonds payable	4,775,000
Payable from restricted assets - accrued bond interest payable (note Z)	657,043
Total current liabilities	<u>7,700,463</u>

Noncurrent liabilities:

Deferred revenues	930,161
Accrued compensated absences (note K)	1,033,759
Bonds payable	64,867,845
Judgments payable	22,733,183
Total noncurrent liabilities	<u>89,564,948</u>
Total liabilities	<u>97,265,411</u>

Net assets:

Invested in capital assets, net of related debt	109,833,591
Restricted	3,578,576
Unrestricted	10,475,135
Total net assets	<u>123,887,302</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 221,152,713**

The accompanying notes are an integral part of this statement.

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ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2005

OPERATING REVENUES

Charges for services	\$ 15,124,792
Miscellaneous	2,351,264
Total operating revenues	<u>17,476,056</u>

OPERATING EXPENSES

Cost of services	28,193,735
Depreciation	7,443,322
Total operating expenses	<u>35,637,057</u>

Operating income (loss)	(18,161,001)
-------------------------	--------------

NON-OPERATING REVENUES (EXPENSES)

Taxes	24,250,518
State revenue sharing	1,282,663
Investment earnings	671,169
Proceeds from forward delivery of bonds	89,069
Gain (loss) on disposal of capital assets	(26,358)
Interest expense	(4,067,395)
Bond issuance costs	(88,050)
Other	(3,401,240)
Total non-operating revenues (expenses)	<u>18,710,376</u>

Income (loss) before contributions and transfers	549,375
--	---------

Capital Contributions from grants	1,415,751
Capital Contributions from donations	1,745,008
Total capital contributions	<u>3,160,759</u>

CHANGE IN NET ASSETS	3,710,134
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NET ASSETS AT BEGINNING OF YEAR	<u>120,177,168</u>
--	--------------------

NET ASSETS AT END OF YEAR	<u><u>\$ 123,887,302</u></u>
----------------------------------	------------------------------

The accompanying notes are an integral part of this statement.

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Statement of Activities
For the Year Ended June 30, 2005**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses				
Orleans Levee District	<u>\$ 39,792,502</u>	<u>\$ 15,124,792</u>	<u>\$ -</u>	<u>\$ (21,506,951)</u>
General revenues:				
Property taxes				24,250,518
Unrestricted intergovernmental revenues				1,282,663
Unrestricted investment earnings				671,169
Miscellaneous				2,440,333
Gain (loss) on disposal of capital assets				(26,358)
Litigation payments				<u>(3,401,240)</u>
Total general revenues and litigation payments (net)				<u>25,217,085</u>
CHANGE IN NET ASSETS				3,710,134
NET ASSETS AT BEGINNING OF YEAR				120,177,168
NET ASSETS AT END OF YEAR				<u><u>\$ 123,887,302</u></u>

The accompanying notes are an integral part of this statement.

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended June 30, 2005**

CASH FLOW FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 17,479,732
Payments to suppliers	(15,281,864)
Payments to employees	(12,999,958)
Net cash used by operating activities	<u>(10,802,090)</u>

CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:

Receipts from taxpayers	25,373,118
Litigation payments	(389,265)
Net cash provided by noncapital financing activities	<u>24,983,853</u>

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds from federal and state grants	1,092,112
Proceeds from forward delivery of bonds	89,069
Purchase of capital assets	(4,730,455)
Principal paid on capital debt	(4,427,302)
Interest paid on capital debt	(4,048,639)
Bond issuance costs	(88,050)
Net cash used by capital and related financing activities	<u>(12,113,265)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest	671,169
Proceeds from sale of investments	177,213
Net cash provided by investing activities	<u>848,382</u>

Net increase in cash

2,916,880

Cash and cash equivalents (including restricted cash), July 1, 200426,624,739**Cash and cash equivalents, June 30, 2005**\$ 29,541,619**Cash**

\$ 25,963,043

Restricted cash3,578,576**Total cash, end of year**\$ 29,541,619**RECONCILIATION OF OPERATING LOSS TO NET****CASH USED BY OPERATING ACTIVITIES**

Operating loss	\$ (18,161,000)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	7,443,321
Change in assets and liabilities:	
Receivables, net	(55,420)
Inventories	(257,896)
Prepaid expenses and other assets	(91,066)
Accounts and other payables	<u>319,971</u>
Net cash used by operating activities	<u>\$ (10,802,090)</u>

The accompanying notes are an integral part of this statement

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ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

INTRODUCTION

The Orleans Levee District (the District) and its Board of Commissioners (the Board) were established by Act 93 of the 1890 General Assembly (Legislature) of the State of Louisiana. The Board has primary responsibility for the operation and maintenance of levees, embankments, seawall, jetties, breakwaters, water basins, and other hurricane and flood protection improvements surrounding the City of New Orleans, including the southern shores of Lake Pontchartrain and along the Mississippi River. The Board is responsible for the maintenance of almost 129 miles of levees and floodwalls. To enhance flood protection, the Orleans Levee District and the United States Corps of Engineers participate in several joint flood protection projects relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan).

Act 292 of the 1928 Louisiana Legislature authorized the Board to dedicate, construct, operate and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The Board owns and operates a general aviation airport, the New Orleans Lakefront Airport. The Board also owns and operates the Orleans Marina and the South Shore Harbor Marina. The Orleans Marina has 352 boat slips. The South Shore Harbor Marina, which was officially dedicated September 19, 1987, has a 43-acre calm water basin, 453 open boat slips, and 26 covered boat slips. In addition, the District receives certain rents and gaming related monies from a steamboat operator located at the South Shore Harbor Marina. The District has approximately 242 full-time employees, including 49 police officers and 11 firefighters.

The District is governed by a Board of eight commissioners, six of whom are appointed by the governor. Two commissioners serve in an ex-officio capacity, the mayor of the City of New Orleans or his designee and one member appointed by the mayor from a list of three City Councilmen selected by the members of the City Council of New Orleans.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements present information only as to the transactions of the Orleans Levee District as authorized by Louisiana statutes.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Orleans Levee District are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration - Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005**

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

B. BUDGETARY PRACTICES

The District prepares its budget in accordance with R.S. 38:318. The budget for the fiscal year ended June 30, 2005, was adopted on January 21, 2004, and subsequent amendments were adopted on October 20, 2004, May 18, 2005, June 15, 2005 and July 20, 2005. Formal budget integration is employed as a management control device during the year. All appropriations lapse at year-end.

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

CASH AND CASH EQUIVALENTS

At June 30, 2005, the District has cash and cash equivalents (book balances), totaling \$29,541,619, which consist of the following:

Cash:	
Petty cash	\$ 700
Demand deposits	695,605
Subtotal	<u>696,305</u>
Cash equivalents:	
Time deposits	2,000,000
Money market mutual funds	6,391,538
Commercial Paper	1,996,680
U. S. Treasury bills	18,457,096
Subtotal	<u>28,845,314</u>
Total cash and cash equivalents	<u>\$ 29,541,619</u>

The deposits at June 30, 2005, are secured as follows:

Deposits in Bank Accounts			
	Cash	Certificates of Deposit	Total
Deposits in Bank Accounts per Balance Sheet	<u>\$ 695,605</u>	<u>\$ 2,000,000</u>	<u>\$ 2,695,605</u>
Total Bank Balances	<u>\$ 1,602,803</u>	<u>\$ 2,000,000</u>	<u>\$ 3,602,803</u>

The following is a breakdown by banking institution of the balances shown above:

Banking institution	Amount
1. Whitney National Bank	\$ 135,565
2. Hibernia National Bank	1,467,238
3. Liberty Bank	2,000,000
Total	<u>\$ 3,602,803</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005**

Note: the total bank balances will not necessarily equal the deposits in bank account per the Statement of Net Assets (Schedule A). Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits are secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance at all times equals the amount on deposit with the fiscal agent. Because the securities are held by the pledging fiscal agent in the District's name, the District does not have any custodial credit risk.

The \$6,391,538 of money market mutual funds, which includes restricted assets, consist of shares of mutual funds that are invested in direct obligations of the United States Department of Treasury, other federal governmental agencies, and repurchase agreements involving these securities that are not required to be classified as to category of credit risk by GASB Codification Section 150.165.

The \$18,457,096 of U.S. Treasury bills and \$1,996,680 of commercial paper have an original maturity of three months or less and are defined as cash equivalents according to GASB Codification Section 2450.106 but are classified as investments for purposes of credit risk.

2. INVESTMENTS

At June 30, 2005, investments of the District total \$29,164,803, which is shown on Statement A as \$8,711,028 of investments, and \$20,453,776 of cash equivalents (\$18,457,096 in U. S. Treasury bills and \$1,996,680 in commercial paper).

Interest rate risk is the risk applicable to debt instruments with fair values that are sensitive to changes in interest rates. One indicator of the measure of interest rate risk is the dispersion of maturity dates of debt instruments. The following table shows the District's investments and maturities in actively managed accounts at June 30, 2005:

	Fair Value	Investments Maturities (in Years)			
		Less Than One	1-5	5-10	>10
U. S. Treasury bills	\$ 18,457,096	\$ 18,457,096	\$ -	\$ -	\$ -
Commercial paper	1,996,680	1,996,680	-	-	-
Federal Home Loan Mortgage	3,954,441	859,496	2,055,004	221,673	818,268
Federal National Mortgage Association	2,487,831	62,362	290,359	475,769	1,659,341
Governmental National Mortgage Association	2,228,138	260,766	903,006	190,903	873,463
U. S. Department of Veterans Affairs Guaranteed Remic Pass-Through Certificates	40,617	1,080	5,032	8,245	26,260
Total investments	<u>\$ 29,164,803</u>	<u>\$ 21,637,480</u>	<u>\$ 3,253,401</u>	<u>\$ 896,590</u>	<u>\$ 3,377,332</u>

State law limits investments in commercial paper to investment grade (A-1/P-1) commercial paper of domestic United States corporations. As of June 30, 2005, the District's investments in commercial paper were rated A-1 by Standard & Poor's and P-1 by Moody's Investors Service.

Investments of governmental securities reflected in the governmental funds and the enterprise funds are stated at fair value as required by GASB Statement No. 31. The District used quoted market values to determine the fair value of the investments. These investments are direct obligations of the United States Department of Treasury and other federal governmental

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005**

agencies. These investments are considered uninsured and unregistered but are held in the name of the entity. These investments are classified as GASB Risk Category 2 of Statement No. 3 in applying the credit risk of GASB Codification Section 150.164.

D. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure (such as bridges, seawalls, roads, and levees), are reported in the financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalization.

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Land improvements	20
Buildings and building improvements	40
Furniture and fixtures	7-10
Vehicles	7
Equipment	7-10
Infrastructure	40

Flood Protection Systems

Resources of the United States Army Corps of Engineers (USACE), the State of Louisiana, the Orleans Levee District and the City of New Orleans as local participants are committed to protecting lives and property of the residents and businesses of the City of New Orleans from the potential for flooding posed by the Mississippi River and its tributaries, and from Lake Pontchartrain.

The Orleans Levee District and the Corps of Engineers have together invested \$411 million in flood control systems in the Lake Pontchartrain and Vicinity Hurricane Protection Plan for Orleans Parish. Major elements of the protection program include 1) levees, floodwalls and floodgates along the lakefront, Mississippi River Gulf Outlet canal and along the 3 critical outfall canals, 2) a seawall at the shores of Lake Pontchartrain, and 3) barrier levees on the outskirts of the city. The current height of these levees is 14 to 18 feet.

The USACE has spent \$19.9 million on 27.5 miles of Mississippi River levees, floodwalls, floodgates and other flood control structures.

In accordance with accounting principles generally accepted in the United States of America and the Government Accounting Standards Board Statement No. 34, governments are required to identify infrastructure assets, including flood control systems. While the Orleans Levee District manages and monitors the levees, flood control structures and bridges comprising the flood protection system, the USACE has the primary responsibility for major maintenance and construction. Accordingly, the Orleans Levee District has excluded from its financial statements those costs incurred on assets owned by others, or substantially built and maintained by others.

Only those portions of the flood protection system that were identified in the District's 1984 bond issue have been capitalized. Those costs are included in the financial statements and amount to \$53,481,035 relating to investments in levees, floodwalls, floodgates, flood control structures, etc.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

Other Infrastructure Assets

In addition to the \$53,481,035 noted above, the financial statements reflect investments in roadways, bridges, parks and recreation, and buildings. Total cost of infrastructure assets at June 30, 2005 totaled to \$131,606,220. The components of this total are as follows:

Bridges/roadways	\$ 73,749,243
Parks/recreation	2,066,374
Buildings	2,309,568
Subtotal - other infrastructure assets	<u>78,125,185</u>
Flood protection systems	<u>53,481,035</u>
Total - infrastructure assets	<u>\$131,606,220</u>

A summary of changes in capital assets is as follows:

	Balance June 30, 2004	Additions	Transfers	Retirements	Balance June 30, 2005
Land	\$ 31,683,989	\$ 1,700,000	\$ -	\$ -	\$ 33,383,989
Construction in progress	3,251,730	3,027,417	-	(2,290,741)	3,988,406
Total capital assets not being depreciated	<u>\$ 34,935,719</u>	<u>\$ 4,727,417</u>	<u>\$ -</u>	<u>\$ (2,290,741)</u>	<u>\$ 37,372,395</u>
Other capital assets:					
Movable property	\$ 10,612,384	\$ 1,764,884	\$ -	\$ (99,645)	\$ 12,277,623
Less accumulated depreciation	(7,547,509)	(715,439)	-	61,211	(8,201,737)
Total movable property	<u>3,064,875</u>	<u>1,049,445</u>	<u>-</u>	<u>(38,434)</u>	<u>4,075,886</u>
Buildings	17,349,955	49,700	-	-	17,399,655
Less accumulated depreciation	(12,218,166)	(453,721)	-	-	(12,671,887)
Total buildings	<u>5,131,789</u>	<u>(404,021)</u>	<u>-</u>	<u>-</u>	<u>4,727,768</u>
Improvements other than buildings	89,883,159	2,184,167	-	-	92,067,326
Less accumulated depreciation	(60,119,721)	(2,793,514)	-	-	(62,913,235)
Total improvements other than buildings	<u>29,763,438</u>	<u>(609,347)</u>	<u>-</u>	<u>-</u>	<u>29,154,091</u>
Infrastructure	131,549,347	56,873	-	-	131,606,220
Less accumulated depreciation	(23,974,517)	(3,485,407)	-	-	(27,459,924)
Total infrastructure	<u>107,574,830</u>	<u>(3,428,534)</u>	<u>-</u>	<u>-</u>	<u>104,146,296</u>
Total other capital assets	<u>\$ 145,534,932</u>	<u>\$ (3,392,457)</u>	<u>\$ -</u>	<u>\$ (38,434)</u>	<u>\$ 142,104,041</u>
Capital assets not being depreciated	\$ 34,935,719	\$ 4,727,417	\$ -	\$ (2,290,741)	\$ 37,372,395
Other capital assets, at cost	249,394,845	4,055,624	-	(99,645)	253,350,824
Total cost of capital assets	<u>284,330,564</u>	<u>8,783,041</u>	<u>-</u>	<u>(2,390,386)</u>	<u>290,723,219</u>
Less accumulated depreciation	<u>(103,859,913)</u>	<u>(7,448,081)</u>	<u>-</u>	<u>61,211</u>	<u>(111,246,783)</u>
Capital assets, net	<u>\$ 180,470,651</u>	<u>\$ 1,334,960</u>	<u>\$ -</u>	<u>\$ (2,329,175)</u>	<u>\$ 179,476,436</u>

¹ Beginning balances were restated for reclassification from infrastructure to improvements for capital asset (wash racks) in the amount of \$328,446.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005**

E. INVENTORIES

The District maintains a perpetual inventory system for general government materials and supplies and fuel purchased for resale by the New Orleans Lakefront Airport. The general government inventory is recorded as an expense at the time the individual items are withdrawn from stock. The general government inventory is valued at average cost. The year-end balance consists of flood protection items that could be needed at any time. The fuel purchases are recorded as an expense when consumed. The fuel purchases are valued at cost using the first-in, first-out (FIFO) method.

F. RESTRICTED ASSETS

Restricted assets at June 30, 2005, shown on Statement A, amounted to \$3,578,576. Restricted assets consist of \$3,122,386 of cash with fiscal agents, and \$456,190 of funds set aside for Bohemia settlement payments.

G. COMPENSATED ABSENCES

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. In addition, it is the District's policy to pay any accumulated compensatory leave at the employee's hourly rate of pay at the time of termination.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as an expense when leave is earned. The financial statements present the cost of accumulated annual and compensatory leave as a liability. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay this amount when employees separate from service. The value of accrued annual leave and compensatory leave is \$930,521 and \$138,371, respectively.

H. RETIREMENT SYSTEM

Substantially all employees of the District are members of the Louisiana State Employees Retirement System (System), a cost sharing, multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time District employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005**

Members are required by state statute to contribute 7.5% of gross salary, and the District is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2005, was at 17.8% of annual covered payroll, increased from 15.8% and 14.1% required in fiscal years ended June 30, 2004, and 2003 respectively. The District contributions to the System for the years ending June 30, 2005, 2004, and 2003, were \$1,243,463, \$1,087,393, and \$933,684, respectively, equal to the required contributions for each year.

I. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Substantially all District employees become eligible for postemployment health care, dental, and life insurance benefits if they reach normal retirement age while working for the District. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the District. Benefits are expensed as paid. For 2005, the cost of providing those benefits for the 92 retirees totaled \$421,684.

J. LEASES

None

1. OPERATING LEASES

The total payments for operating leases during fiscal year 2005 amounted to \$30,673. A schedule of payments for operating leases follows:

<u>Nature of lease</u>	<u>FY 2006</u>	<u>FY 2007</u>
Copier machines	<u>\$ 28,729</u>	<u>\$ 28,729</u>
Total	<u>\$ 28,729</u>	<u>\$ 28,729</u>

The contract for the leasing of copiers is for the period July 1, 2004 through June 30, 2007.

2. CAPITAL LEASES

None

3. LESSOR DIRECT FINANCING LEASES

None

4. LESSOR OPERATING LEASES

The Orleans Levee District leases boat slips, boathouses, and building space to certain parties under operating leases. At June 30, 2005, the total cost of the land, buildings and improvements leased to others is \$110,337,689, with \$62,837,343 of related accumulated depreciation. Future minimum rental payments to be received under these operating leases are as follows:

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005**

Fiscal year ending June 30:	
2006	\$ 4,958,705
2007	3,511,281
2008	3,247,929
2009	3,170,484
2010	2,723,306
2011-2015	7,798,309
2016 - end of term	<u>7,866,963</u>
Total	<u>\$ 33,276,977</u>

Current year rents amount to \$5,147,760. Of that amount, approximately \$95,600 was derived from contingent rent increases. The amounts reported represent rents due on non-cancelable leases currently in effect. Such amounts are lower than those reported in past years because previous disclosures included contingent elements, such as consumer price index adjustments, assumed execution of options to extend leases, and generally the assumption that leases would be renewed.

K. LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2005:

	Long-Term Obligations Payable at July 1, 2004	Additions	Deductions and Retirement	Long-Term Obligations Payable at June 30, 2005	Due Within One Year
Levee Improvement:					
Fixed Rate Refunding Bonds, Series 1986	\$ 41,560,000	\$ -	\$ (2,565,000)	\$ 38,995,000	\$ 2,755,000
Variable Rate Refunding Bonds, Series 1996	4,755,000	-	(315,000)	4,440,000	335,000
Public Improvement:					
Fixed Rate Refunding Bonds, Series 1986	26,010,000	-	(1,455,000)	24,555,000	1,560,000
Variable Rate Refunding Bonds, Series 1996	2,020,000	-	(120,000)	1,900,000	125,000
Less:					
Unamortized discounts	(228,942)	-	20,812	(208,130)	-
Unamortized loss on refunding	(45,912)	-	6,885	(39,027)	-
Total - bonds	<u>74,070,146</u>	<u>-</u>	<u>(4,427,303)</u>	<u>69,642,843</u>	<u>4,775,000</u>
Judgments	19,721,208	3,361,975	(350,000)	22,733,183	-
Compensated absences	1,006,286	-	62,606	1,068,892	35,133
Total long-term obligations	<u>\$ 94,797,640</u>	<u>\$3,361,975</u>	<u>\$ (4,714,697)</u>	<u>\$ 93,444,918</u>	<u>\$ 4,810,133</u>

A detailed summary, by issues, of all debt outstanding at June 30, 2005, including outstanding interest of \$23,164,378, is shown on schedule 3-C. Schedule 4-D is an amortization schedule of the outstanding debt.

L. LITIGATION

Numerous lawsuits have been filed by individuals and acts have been passed by the Louisiana Legislature concerning the return of certain expropriated properties in the Bohemia Spillway and the payment of royalties and rents derived from these properties to the original owners of the properties. Act 233 of 1984, as amended by Acts 819 of 1985, 847 of 1992, 1364 of 1997, and 1378 of 1999, requires the Board of Commissioners of the Orleans Levee District upon receipt of the names of certified claimants from the Secretary of the Louisiana Department of Natural

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005**

Resources (DNR) to return the ownership of properties in the Bohemia Spillway in the parish of Plaquemines to the owners or their successors from whom the property was acquired by expropriation or by purchase under threat of expropriation. At this date, the District is maintaining a complete accounting of all royalty revenues received as required by the act.

Before the effective date of Act 1364 of 1997 and 1378 of 1999, DNR certified claimants who had an interest in 164 of 220 tracts of land in the Bohemia Spillway for the return of the property. All property claims certified by DNR as of October 1, 2002 have been returned. All claims certified as of June 30, 2005, have been conveyed. Upon the return of the property, the District is required to return the royalties, et cetera, collected since June 29, 1984, until the date of transfer.

Judgment was rendered in Haspel & Davis v. Board of Commissioners of the Orleans Levee District, Case No. 31-357, in favor of the plaintiffs awarding the sum of \$18,767,145, plus interest from the date of judicial demand until paid, for the sum of revenues paid to the District of its share of royalties under mineral leases in the Bohemia Spillway. A number of payments have been made since 2001 as reflected in previous years. On February 26, 2004, a payment in the full sum of \$600,000 was paid into the registry of the Court in the Haspel & Davis class action. The Court accepted the payment as being current on the settlement agreement amortization plan. The class members in Haspel & Davis have agreed to accept \$10,076,559.47 to settle the case. If the Board can secure financing and appropriate the funds therefore, this liability will be eliminated. In the matter of Lemona H. Chandler, Administratrix of the succession of Henry Taylor, Jr. v. in the matter of: The Board of Commissioners of the Orleans Levee District, docket #47-842, CDC New Orleans, the District paid the full sum of \$314,491.59. A remaining balance of \$166,842.53 in special interest and attorney fees awarded by the Court is presently on appeal to the 4th Circuit. All judgments in the Bohemia Spillway matter will be paid if and when funds become available, and when funds are appropriated therefore.

At June 30, 2005, the District is a defendant or co-defendant in 28 lawsuits claiming damages, possession of property, or contract disputes. In addition, the District is involved in several civil service actions. The District's legal counsel has reviewed all claims and lawsuits to evaluate the likelihood of an unfavorable outcome to the District and has attempted to arrive at an estimate of the amount of potential loss. For the lawsuits involving claims or damages not related to the Bohemia Spillway, the District's legal counsel does not anticipate that potential losses resulting from these lawsuits will have a significant adverse effect on the financial position of the District.

As reflected in Statement B, expenditures for litigation payments totaled \$3,401,240 for the year ended June 30, 2005. At June 30, 2005, liabilities associated with claims and judgments total \$22,733,183 as shown on Statement A.

M. RELATED PARTY TRANSACTIONS

None

N. ACCOUNTING CHANGES

None

O. IN-KIND CONTRIBUTIONS

The United States Army Corps of Engineers (USACE) and the districts in southeastern Louisiana, including Orleans Levee District, participate in several joint flood protection projects relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan). Under the High Level Plan, the District has expended bond and ad valorem tax funds over (approximately) the

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005**

last 20 years for USACE qualified projects and earned credits for such expenditures to be applied against future flood protection projects.

The United States Congress has approved projects totaling \$744,000,000 for the 300-year Lake Pontchartrain and Vicinity Hurricane Protection Plan. The estimated amount per the USACE for Orleans Parish is \$410,880,000. The USACE will expend 70% and the Orleans Levee District will expend 30%. The estimated expenditures at June 30, 2005, are \$265,300,000 for the USACE. The 30% participation by the Orleans Levee District will not cause direct cash outflows. Three major projects on the High Level Plan are ongoing in Orleans Parish: London Avenue Canal pump station and bridge, Orleans Avenue Canal pump station, and the 17th Street Canal bridge. It is anticipated that the entire High Level Plan will be completed by 2011.

P. OUTSTANDING DEFEASED DEBT

None

Q. COOPERATIVE ENDEAVORS

None

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)

The Orleans Levee District participates in a number of federally-assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. The District believes that the amount of disallowances, if any, which may arise from future audits, will not be material.

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

None

T. SHORT-TERM DEBT

None

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2005, were as follows:

Activity	Customer Receivables	Taxes	Receivables from Other Governments	Other Receivables	Total Receivables
Gross receivables	\$ 880,700	\$ 751,283	\$ 570,776	\$ -	\$ 2,202,759
Less allowance for uncollectible accounts					
Receivables, net	<u>\$ 880,700</u>	<u>\$ 751,283</u>	<u>\$ 570,776</u>	<u>\$ -</u>	<u>\$ 2,202,759</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

All amounts are due within one year.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2005, were as follows:

Activity	Vendors	Salaries and Benefits	Subtotal Payables	Accrued Interest	Other (Contracts) Payable	Total Payables
Total payables	<u>\$ 913,745</u>	<u>\$ 344,791</u>	<u>\$ 1,258,536</u>	<u>\$ 657,043</u>	<u>\$ 269,549</u>	<u>\$ 2,185,128</u>

W. SUBSEQUENT EVENTS

- On March 27, 2002 by Resolution No. S1-032702, the Board approved the Agreement for the Lease, Management, Operation, Commercial Enhancement and Development of the New Orleans Lakefront Airport between the Board of Commissioners of the Orleans Levee District and American Airports Lakefront, LLC. The Board also authorized the President of the Board of Commissioners of the Orleans Levee District to sign and file with the Federal Aviation Administration (FAA) the Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport. The Final Application for Exemptions under the Federal Airport Privatization Pilot Program Lakefront Airport was submitted to the FAA on April 30, 2002.

In January 2005, as a condition for approval, the FAA demanded that the District provide a financial guarantee for any federal grants sought by the prospective private operator. The Board refused that request and has asked the courts to determine if the agreement is still binding. American Airports Lakefront, LLC has filed suit seeking damages. The FAA has stated that it could not move forward with the application unless a grant guarantee is in place, but it would be willing to reject the application if either the Board or American Airports Lakefront, LLC withdraws from the process.

- In a Board meeting held on August 18, 2004, the Board adopted a resolution authorizing the sale on a forward delivery basis of Orleans Levee District Levee Improvement Bonds, Series 2005 (the bonds). On September 3, 2004, the District executed a Forward Delivery Bond Purchase Agreement for the sale of \$36,300,000 principal amount of the bonds. The agreement provided for delivery of the bonds and funds transfer on September 8, 2005 for the purpose of refunding the \$36,240,000 then outstanding balance of the District's Levee Improvement Bonds, Series 1986. Due to Hurricane Katrina on August 29, 2005, this transaction has been postponed indefinitely.
- In a Board meeting held on August 17, 2005, the Board adopted a resolution authorizing the issuance of debt in an amount not exceeding \$11,200,000 to be represented by one or more of notes, certificates of indebtedness, drawdown bond facility or bonds for the settlement of the judgment rendered in Bohemia litigation; applying to the State Bond Commission; and providing for other matters in connections with the foregoing. The issuance of these bonds has been postponed due to Hurricane Katrina on August 29, 2005.
- The Orleans Levee District has been adversely affected by Hurricane Katrina which occurred on August 29, 2005. The District is currently assessing the impact of the

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of and for the Year Ended June 30, 2005**

hurricane, but damage to the City of New Orleans and to the District's assets, as discussed below, will have a negative effect on revenue, including ad valorem taxes.

There was relatively minor damage to the District's Franklin Avenue Facility, and the field forces are currently working from this location. Upon repair, those administrative offices located at the Franklin Avenue Facility can resume occupancy. Additionally, there was minimal damage to Orleans Marina, and it is anticipated that the marina will be fully operational by the end of this year. South Shore Harbor and Lakefront Airport sustained substantial damage from Hurricane Katrina. The impact of this damage cannot be fully known at this time.

The District believes that the disruption in operations will not affect its ability to make timely debt payments, and believes it will continue as an ongoing business.

X SEGMENT INFORMATION

None

Y. DUE TO/DUE FROM AND TRANSFERS

None

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets at June 30, 2005 total \$657,043 in the current liabilities section on Statement A, and consists of accrued bond interest payable.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS

None

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the Year Ended June 30, 2005**

Allen H. Borne, Jr. (appointed effective October 21, 2004)	\$ 1,275
Thomas B. Coleman (resigned effective October 21, 2004)	-
Dan S. Foley (appointed effective October 21, 2004)	975
Eugene J. Green, Jr. (appointed effective October 21, 2004)	1,275
Patricia W. Harris (resigned effective October 21, 2004)	525
James P. Huey, President	2,100
Victor A. Landry (resigned effective October 21, 2004)	675
James E. Livingston (resigned effective July 9, 2004)	-
Robert E. Smith Lupo (resigned effective October 21, 2004)	-
Michael P. McCrossen, Vice President (appointed effective October 21, 2004)	1,575
Charles L. Rice, Jr.	900
Darrel J. Saizan, Jr. (appointed effective October 21, 2004)	1,275
Cynthia Willard-Lewis	<u>1,200</u>
 Total	 <u><u>\$ 11,775</u></u>

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF STATE FUNDING
For the Year Ended June 30, 2005**

<u>Description of Funding</u>	<u>Amount</u>
1. _____	\$ _____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
9. _____	_____
10. _____	_____
Total	\$ <u>NONE</u>

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE
June 30, 2005**

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/04	Redeemed (Issued)	Principal Outstanding 06/30/04	Interest Rates	Interest Outstanding 06/30/05
		\$	\$	\$	\$		\$
Total		\$ <u>NONE</u>	\$ <u>NONE</u>	\$ <u>NONE</u>	\$ <u>NONE</u>		\$ <u>NONE</u>

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF NOTES PAYABLE
June 30, 2005**

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/04	Redeemed (Issued)	Principal Outstanding 06/30/04	Interest Rates	Interest Outstanding 06/30/05
		\$	\$	\$	\$		\$
Total		\$ NONE	\$ NONE	\$ NONE	\$ NONE		\$ NONE

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF BONDS PAYABLE
June 30, 2005**

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/04	Issued (Redeemed)	Principal Outstanding 06/30/05	Interest Rates	Interest Outstanding 06/30/05
Public Improvement Fixed Rate Bonds - Series 1986	08/29/86	36,225,000	26,010,000	(1,455,000)	24,555,000	5.95%	9,014,699
Public Improvement Variable Rate Refunding Bonds - Series 1996	10/29/96	2,795,000	2,020,000	(120,000)	1,900,000	2.54%	388,664
Levee Improvement Fixed Rate Bonds - Series 1986	08/28/86	64,920,000	41,560,000	(2,565,000)	38,995,000	5.95%	12,980,967
Levee Improvement Variable Rate Refunding Bonds - Series 1996	10/29/96	6,775,000	4,755,000	(315,000)	4,440,000	2.54%	780,048
Total		\$ 110,715,000	\$ 74,345,000	\$ (4,455,000)	\$ 69,890,000		\$23,164,378

Interest rates will be reset for the two 1996 issues on November 1, 2010 (to an estimated 5.5%).

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ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
For the Year Ended June 30, 2005

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ _____	\$ _____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010-2014	_____	_____
2015-2019	_____	_____
2020-2024	_____	_____
2025-2029	_____	_____
Total	\$ <u><u>NONE</u></u>	\$ <u><u>NONE</u></u>

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF NOTES PAYABLE AMORTIZATION
For the Year Ended June 30, 2005**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ _____	\$ _____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010-2014	_____	_____
2015-2019	_____	_____
2020-2024	_____	_____
2025-2029	_____	_____
Total	\$ <u><u>NONE</u></u>	\$ <u><u>NONE</u></u>

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ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For the Year Ended June 30, 2005

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 4,775,000	\$ 3,808,049
2007	5,110,000	3,530,168
2008	5,475,000	3,232,399
2009	5,865,000	2,913,106
2010	6,310,000	2,570,167
2011-2015	39,060,000	7,012,980
2016	<u>3,295,000</u>	<u>97,509</u>
Total	<u>\$ 69,890,000</u>	<u>\$ 23,164,378</u>

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**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Comparative Figures**

To assist OSRAP in determining the reason for the change in financial position for the state and reason for the changes in the budget, please complete the schedule below. If the change is greater than 10%, explain the reason for the change.

	<u>FY 2005</u>	<u>FY 2004</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	<u>\$ 46,903,877</u>	<u>\$ 40,217,934</u>	<u>\$ 6,685,943</u>	<u>16.62%</u>
Expenses	<u>\$ 43,193,742</u>	<u>\$ 38,545,642</u>	<u>\$ 4,648,100</u>	<u>12.06%</u>
2) Capital assets	<u>\$179,476,436</u>	<u>\$ 180,470,651</u>	<u>\$ (994,215)</u>	<u>-0.55%</u>
Long-term debt	<u>\$ 90,432,943</u>	<u>\$ 94,797,641</u>	<u>\$ (4,364,698)</u>	<u>-4.60%</u>
Net assets	<u>\$123,887,303</u>	<u>\$ 120,177,168</u>	<u>\$ 3,710,135</u>	<u>3.09%</u>

The increase in revenues is due in part to an increase in aviation fuel sales (\$1,952,510), oil and gas royalties (\$673,328), miscellaneous income (\$452,027), taxes (\$1,039,950), grant revenues (\$1,167,503), and capital contributions (\$1,743,513).

The increase in expenses is due in part to an increase in personal services and related benefits (\$997,876), aviation fuel sales (\$1,797,188), and litigation expense (\$1,721,100).

There were no new bond issues, only routine sinking fund payments.

	<u>FY 2005 Original Budget</u>	<u>FY 2005 Final Budget</u>	<u>Difference</u>	<u>Percentage Change</u>
3) Revenues	<u>\$ 38,747,201</u>	<u>\$44,021,787</u>	<u>\$ 5,274,586</u>	<u>13.61%</u>
Expenses	<u>\$ 38,908,803</u>	<u>\$43,442,933</u>	<u>\$ 4,534,130</u>	<u>11.65%</u>

The 13.61% change in budgeted revenue reflects higher than expected aviation fuel sales (\$2,529,574), royalties (\$1,197,769), and a change in expected levels of grant income (\$1,420,911).

The 11.65% change in budgeted expenses reflects needed increases in aviation fuel supplies (\$2,472,354), professional services (\$637,746), and capital expenses (\$846,728).

	<u>FY 2005 Final Budget</u>	<u>FY 2005 Actual</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	<u>\$ 44,021,787</u>	<u>\$ 46,903,877</u>	<u>\$ 2,882,090</u>	<u>6.55%</u>
Expenses	<u>\$ 43,442,933</u>	<u>\$ 43,193,742</u>	<u>\$ (249,191)</u>	<u>-0.57%</u>

Increases in revenue compared with budget flowed directly from the donation of lakefront property to the District (\$1,700,000), and driven by higher than budgeted miscellaneous revenues (\$454,189).

Expenses were 0.57% or \$249,191 lower than budgeted. Major maintenance/capital improvements were \$5,574,135 less than budgeted of which \$3,991,501 reflected capitalization of costs to the balance sheet, with the remainder the result of scheduling. Both principal and interest payments are budgeted, while actual debt service reported in the District's financial statements includes only the interest portion. This resulted in an expense less than budgeted of \$4,708,105. Offsetting these favorable budget variances is \$7,443,322 of depreciation, which is not budgeted.

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ORLEANS LEVEE DISTRICT

Single Audit Reports

June 30, 2005

**ORLEANS LEVEE DISTRICT
New Orleans, Louisiana**

Single Audit Reports

June 30, 2005

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Postlethwaite & Netterville

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Orleans Levee District:

We have audited the basic financial statements of the Orleans Levee District (the District), a component unit of the State of Louisiana, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 24, 2005, except for Note 23, as to which the date is October 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the District, the District's management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & McNeill

August 24, 2005



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR
PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Commissioners
Orleans Levee District:

Compliance

We have audited the compliance of Orleans Levee District (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, and major funds of the Orleans Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 24, 2005, except for Note 23, as to which the date is October 21, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the District, the District's management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Robert H. White & Hester

August 24, 2005

ORLEANS LEVEE DISTRICT
New Orleans, Louisiana

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2005

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Federal Aviation Administration –		
Airport Improvement Program:		
Rehabilitate Runways and Taxiways	20.106	\$ 440,809
Aircraft Rescue and Firefighting Vehicle	20.106	<u>422,750</u>
Total Airport Improvement Program		863,559
United States Department of Homeland Security –		
Public Assistance Grants:		
Passed through the State of Louisiana		
Department of Military Affairs	97.036	<u>132,027</u>
Total Federal Awards		\$ <u>995,586</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

ORLEANS LEVEE DISTRICT
New Orleans, Louisiana

Notes to Schedule of Expenditures of Federal Awards

June 30, 2005

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of Orleans Levee District (the District). The District's reporting entity is defined in note 1 to the financial statements for the year ended June 30, 2005. All federal awards received from federal agencies are included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1 to the District's financial statements for the year ended June 30, 2005.

(3) Relationship to Financial Statements

Federal awards for the Federal Aviation Administration grants are included in the statement of revenues, expenses and changes in fund net assets as capital contributions from grants. Federal awards for the United States Department of Homeland Security grant is included in the statement of revenues, expenditures, and changes in fund balance as General Fund other federal and state grants.

ORLEANS LEVEE DISTRICT
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

(1) Summary of Auditors' Results

- (a) The type of report issued on the basic financial statements: unqualified opinion
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: no; Material weaknesses: no
- (c) Noncompliance which is material to the financial statements: no
- (d) Reportable conditions in internal control over major programs: no; Material weaknesses: no
- (e) The type of report issued on compliance for major programs: unqualified opinion
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: no

(g) Major program:

Federal Aviation Administration –
Airport Improvement Program:

Rehabilitate Runways and Taxiways	20.106
Aircraft Rescue and Firefighting Vehicle	20.106

- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
 - (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: no
- (2) Findings Relating to the Financial Statements Reported in accordance with *Government Auditing Standards*: None.
- (3) Findings and Questioned Costs relating to Federal Awards: None.

ORLEANS LEVEE DISTRICT
New Orleans, Louisiana

Summary Schedule of Prior Audit Findings

Failure to Submit a Document Retention Schedule

For the second consecutive year, the Orleans Levee District did not submit a written record retention schedule to the Secretary of State in accordance with state law. Louisiana Revised Statute 44:411 (A)(1) requires agency heads to submit schedules to the state archivist that state the length of time each state record or series of records should be retained for administrative, legal, or fiscal purposes after the records have been created or received by the agency. Management has drafted a written record retention schedule; however, has not submitted it to the Secretary of State for approval.

Status: A formal record retention plan was drafted and submitted to the Secretary of State for approval. The District has implemented the plan while awaiting this approval.

No Formal Disaster Recovery Plan

The Orleans Levee District has not formally implemented and tested a disaster recovery/contingency plan. This plan should include provisions for an offsite disaster recovery facility to provide for the timely restoration and continuation of critical entity operations in the event that normal data processing facilities were unavailable for an extended period of time. Provisions of the plan should be tested periodically and updated when necessary to ensure a timely and orderly return to regular operations.

Management has taken steps towards developing and testing a comprehensive disaster recovery/contingency plan; however, the plan has not been fully developed, implemented, and tested. Failure to develop and test a comprehensive disaster recovery plan increases the risk that in the event of a disaster, there will be an untimely or excessive delay in processing critical data and that critical data may be lost.

The district should continue to develop a comprehensive disaster recovery/contingency plan that would provide for the timely resumption of critical entity operations following a disaster. Management should focus on locating a back-up site that will allow the district to reestablish its critical operations within an acceptable time frame should a disaster occur. After establishing the plan, the district should test the plan periodically, and update it as necessary, to ensure that it continues to meet the district's needs.

Status: The District has drafted a business continuity plan (BCP) that will address multiple disaster scenarios, and has secured the data center equipment needed, including sixteen notebook computers to be used by the disaster discovery team. Additionally, the District has secured a location at its Franklin Facility, which is within flood protection, to act as the primary disaster recovery site. Preliminary testing procedures have also been performed. The disaster recovery team has been defined along with critical business functions and procedures. The District's plan was recently implemented after Hurricane Katrina. Operations were functional two weeks after the storm.